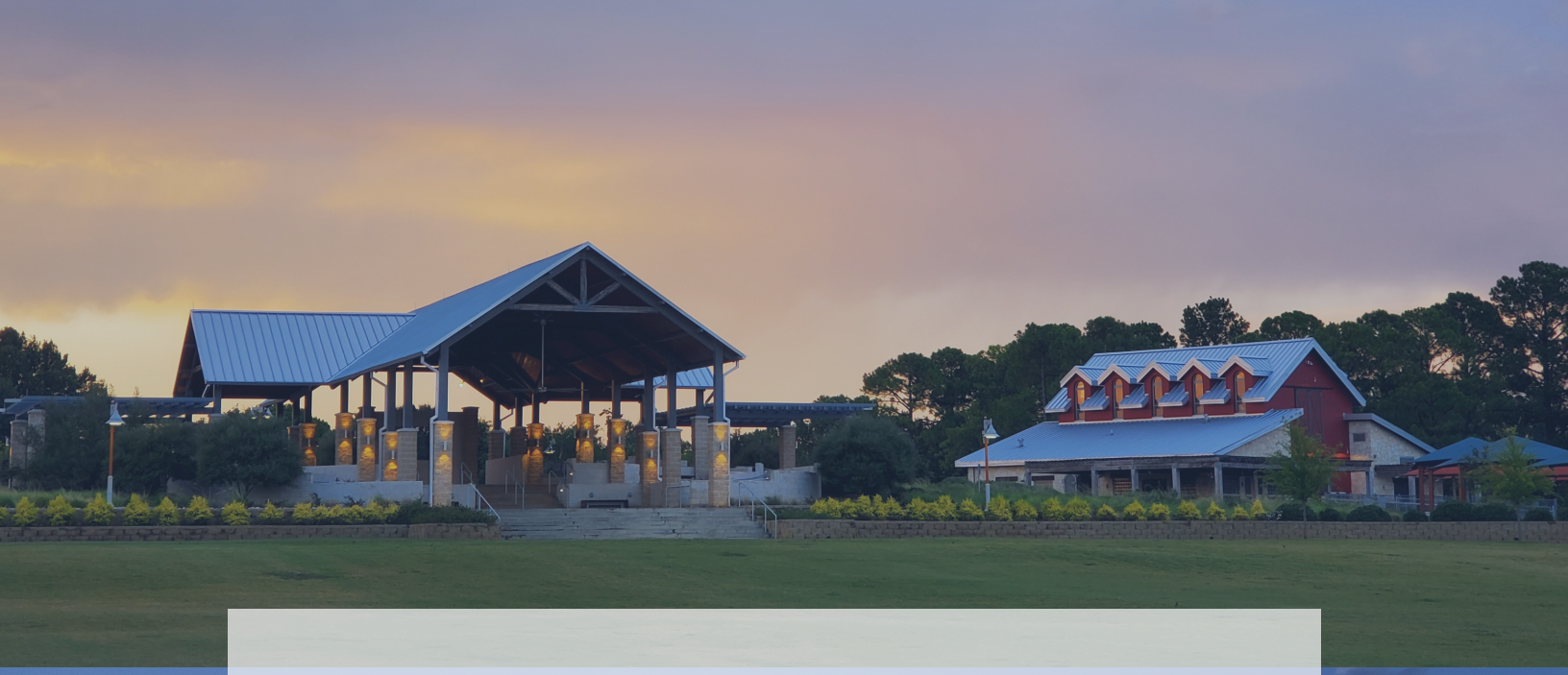

City of Highland Village

ANNUAL COMPREHENSIVE FINANCIAL REPORT

for

FISCAL YEAR ENDING SEPTEMBER 30, 2022

CITY OF
HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022

Prepared by:

The Finance Department

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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INTRODUCTORY SECTION

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FINANCE
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www.highlandvillage.org

March 28, 2023

Honorable Mayor, City Council
City of Highland Village
Highland Village, Texas

The Finance Department of the City of Highland Village is pleased to submit the Annual Comprehensive Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2022.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport. The City is primarily residential.

The City's estimated 2022 population is 16,670, just a 7% increase over the past 10 years. Years of sustained growth in population in previous years has brought the City closer to build-out, evidenced by the reduced number of single-family residential permits now being issued. The City is currently approximately 96% built out, with approximately 210 single-family residential homes remaining to be built in platted and unplatted parcels. The estimated build out date is 2030. Over the last five years, the City

has averaged 45 single-family residential permits annually. The average assessed value for existing single-family dwellings on the 2021 Tax Roll was $427,726.

The City of Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and six other members, all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All council members are elected for two-year terms.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational facilities and cultural events. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for a legally separate component unit – the Highland Village Community Development Corporation, which is reported as a blended component unit within the City of Highland Village's financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget by no later than September 30th – the close of the fiscal year. This annual budget serves as the foundation for the City of Highland Village's financial planning and control. The budget is prepared by fund, category (personnel, services/supplies, capital) and department (e.g., police, fire, human resources). Departments may reallocate resources within a category, but reallocation between categories or departments requires council approval.

Local Economy

Despite supply chain issues resulting from continuing ramifications of the pandemic, the North Texas economy has displayed resiliency with a strong housing market as well as robust retail sales. The Texas housing market continues to experience significant demand, driving up home values. Job creation, especially in Texas, is strong, however somewhat hampered by continuing worker shortages. A number of corporate relocations to this area in recent years will also contribute to the housing market remaining strong, although potentially constrained by limited housing inventory. The close proximity of the Dallas-Fort Worth International Airport and both cities of Dallas and Fort Worth enhance increasing residential development. There were 36 single-family permits issued during fiscal year 2021/2022, compared to a five-year annual average of 45. In addition, there were 5,733 water connections, with 5,379 being the total residential. Since the City's residential tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

Commercial development has remained steady for the past five years, however at reduced levels, reflective of the City approaching buildout. The retail component the City enjoys has certainly enhanced the business and economic outlook for the City. Over the past twenty years, the City has realized gradual economic development, beginning with the completion in 1995 of the 80,000 square foot Highland Village Town Center shopping complex. Phase II of this development was completed in October 1997. Kroger's grocery chain served as the anchor commercial development in the Town Center complex, however closing in FY 2016. The space has now been occupied by Painted Tree. Valley Ridge Center, a professional office complex on FM 407 was also added in 1997. A new bank, United Community Bank, opened for business in 1998 with a temporary building - a permanent bank building was completed in 1999. A merger with Independent Bank in 2012 further solidified the bank for the future.

In January 1999, the City Council initiated implementation of an overlay ordinance for nonresidential development. This change was enacted to create a unique look for Highland Village by requiring a residential look to nonresidential uses. This effort was seen as an economic development issue to ensure quality future development. The completion of Village Parkway in 1998 in the western part of the City provides additional economic stimulus for the City - particularly now that TXDOT has constructed a

segment that extends this roadway to Denton as an extension of FM 2499, providing an alternate route to DFW Airport. And this, in turn, greatly enhances the commercial value of the developments at the FM 407 and FM 2499 intersection with the resulting increase in traffic.

Village Creek Center, started in the mid 1980's, added three new buildings in 1999 to complete their site plan. This center includes restaurant facilities and professional office space. In 2000, a two-building professional office development was completed and fully leased, with plans to expand by another building. Also in 2000, Tartan Village Retail Center opened with 6,000 square feet of retail space and Barnett Center constructed a childcare facility. The Barnett Center added an animal hospital in 2002 and a 56,000 square foot assisted living facility was added in 2003, with a 35,000 square foot extensive care addition completed the following year.

Celebrations, a 12,000 square foot banquet hall, was completed in 2003, updated in 2015 with new owners with addition of a chapel – transforming the facility to a wedding / reception facility and renamed as Hidden Pines Chapel. A 17,000 square foot retail center, Tartan Square, was added in 2004. Highland Village Business Park was completed, with two office / professional buildings totaling 16,000 square feet, in early 2005.

With limited remaining undeveloped commercial property in Highland Village – primarily located along FM 407 and FM 2499, the City focused on the remaining undeveloped property to ensure compatible, high-quality development. An additional overlay district was developed for this area to apply standards that will assure the highest and best use, with the potential for increased sales tax revenues while continuing to maintain the high quality of life in Highland Village.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Barnes & Noble and an AMC Theater anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development.

Just east of the Marketplace, The District of Highland Village, initially approved by Highland Village City Council in March 2007, was planned as a "Main Street" center with retail and residential townhomes. Construction of the first phase was completed, but additional construction stalled due to the economic downturn. A redesigned plan was presented to City Council in FY 2011, but denied – prompting a lawsuit by the property owner based on the City's denial of the rezoning request. During the ensuing year, the City and its legal counsel thoroughly defended against the claims made in the lawsuit. City officials and staff worked diligently with the property owners to settle their dispute, resulting in approval by City Council in November 2012 of a new development plan to provide open air plazas for a mixed-use development of residential lofts, retail, and office professional facilities, offering a unique and desirable high-end loft living lifestyle currently not available in Highland Village and adjacent cities. Construction initiated in 2014 and now entails nineteen buildings of residential and retail totaling over 320,000 square feet.

The City is primarily a residential community with a relatively small commercial base. New residential construction has slowed from previous years, with substantial residential build-out expected in the near

future. Roughly 210 potential lots remain, most of these associated with several developments in the western portion of the city, providing very modest residential building activity. In particular, David Weekley Homes purchased property from the Lewisville Independent School District previously targeted for a school site, also in the western section of the city. Anticipating 72 homes, construction started in FY 2021, with 65 permits issued through FY 2022.

As the City approaches build-out, there is intent of facilitating full potential of limited remaining undeveloped parcels. Accordingly, the City retained a planning firms to accomplish an update to the City's comprehensive plan. This was initiated in FY 2022 and was ongoing at year-end, with anticipated completion in February 2023.

There are shopping areas with major retail department stores, variety stores and chain stores located in the general vicinity of Highland Village. Wholesale firms, distributing automobile parts and supplies, electronics, lumber, meats, plumbing fixtures, petroleum products and boat distributors are also located in the general vicinity. A plentiful supply of skilled labor is available to industry in the Highland Village area. Denton County reflected an unemployment rate of 3.0% as of September 2022, this year inflated resulting from the pandemic.

Long Term Financial Planning

Economic Development, specifically retail development, has been a primary objective and continues to be desired, however with limited remaining real estate in the city. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. This is especially pertinent as the City nears substantial residential build-out, and accompanying declining growth in assessed valuation. A stated focus of Council has been to maintain the current tax rate. However, with State Legislation implementing revenue caps, it will likely force reductions in the tax rate. Coupled with declining growth in new valuation added to the tax roll, this environment provides a challenge to maintain the high level of services provided for in this community. A continued primary focus over the next few years is to maintain current staffing levels through residential build-out and seek efficiencies where possible, without compromising the City's excellent level of service.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands through build-out. Highland Village has contracted with the Upper Trinity Regional Water District (UTRWD) to take three million gallons of water per day (MGD). This water supply supplements the City's four productive water wells. A utility rate structure was updated to provide a 70/30 mix of surface water and ground water respectively. Additionally, the utility rate structure was revamped to provide for a substantially higher amount collected at the base level rather than the previous method of relying on higher summer usage with tiered rates. This will provide a more consistent revenue stream that is less dependent on weather patterns and fairer method of distributing costs to residents.

To meet the City's wastewater needs, a long-term solution was finalized in June, 1995, with 1.8 million gallons per day treatment contract with the Upper Trinity Regional Water District's Lakeview Wastewater Reclamation Project, which provided for a participatory contract to meet the City's build out wastewater effluent needs. In the initial stage of this contract, developer contributions (Impact Fees) have paid the bulk of the annual commitments with the existing ratepayers paying a minimal portion of the contract cost. The City's current capacity is at 1.65 MGD, but the City may reinstate the 1.8 MGD capacity at a future date, if needed. The subscribed capacities for both water and sewer are generally expected to be sufficient through build-out.

A municipal drainage utility was formed at the end of FY 2006 to fund a storm water quality program and related drainage projects necessitated by Phase II MS 4 Storm Water Regulations – administered by the Texas Commission on Environmental Quality (TCEQ). A rate of $1.20 per 1,000 square feet of impervious cover was established to fund this program – unchanged until FY 2015 when adjusted to

$1.40. The monthly average for most City residents is roughly $5.00. The utility has a staff of five positions and has procured needed equipment. The utility has achieved great success, already completing a number of needed drainage projects - also achieving substantial cost savings by averting contracting of these projects. In FY 2013, an aggressive mosquito abatement program was developed to address the significant increase in West Nile Virus, and is ongoing.

The City continues to address park programs to meet the changing needs of the community. The governing body adopted an ordinance in 1991 to establish Park Development Fees to be paid by the development community. These fees are dedicated to Park Development. This ordinance was revised in 1997 to collect fees for three components – community park, inland trail system, and neighborhood parks. Phase I of the development of Unity Park was completed and was utilized in full for athletic activity in early 1996. In September 1996, $1,850,000 in General Obligation Bonds was issued to complete Phase II of Community Park and provide improvements to other City parks. Phase II of the Park, completed in April 1997, includes lighting, restrooms and concessions. Additional parking and restroom enhancements were added in 2012 funded by a certificate of obligation. An inter-local agreement with the Lewisville Independent School District allows the City and Briarhill Middle School (adjacent to Unity Park) to share common facilities. Completion of Village Park in 2005 provided a neighborhood park in the western quadrant of the City.

An additional primary focus of the City has been the establishment of a comprehensive trail system throughout the City. The initial spine (9.83 miles) of the trail system was initiated with securing a $1 million TEA-21 grant. This was completed in 2006 with a cost of $1.7M. Voters approved a ½ cent 4B sales tax in November 2004 – specifically targeted for trail development and a soccer complex. Future development of the trail system is to be primarily funded by the 4B sales tax. A $3M bond issue in 2008 provided funding for the next section – with another $3.8M bond issuance in FY 2009 to further expand the trail system in the City. A continuous trail segment now spans the length of the entire City. Ultimately, 28 miles of trails are envisioned in the Trail Master Plan.

The Doubletree Ranch property, 36 acres in the eastern portion of the City, was purchased in 2009 with funds from a certificate of obligation – with the associated annual debt service to be reimbursed to the City with 4B revenues. In FY 2014 a $6.7M Certificate of Obligation was issued to supplement remediation funds of $2.8M previously received from TxDOT associated with the loss of Copperas Branch Park resulting from the expansion of I-35 - to be redirected to Doubletree Ranch Park, to fund park construction. Accordingly, construction commenced in FY 2014. The Park opened in August 2016, providing open space, trails, and soccer fields, in a pristine setting. In addition, a splash pad, concession barn and pavilion are heavily utilized.

Lakeside Community Park was completed in 2015, also utilizing 4B revenues. This park – with water front access to Lake Lewisville, includes a quarter-mile loop trail, two pavilions, all with fantastic lake views. A number of recreation programs are offered in the City. In particular, baseball and soccer associations have experienced consistent participation, and have remained quite successful.

The City's commitment to parks was buttressed with a 2018 $7.1 M bond issuance following voter approval in 2017. This issuance targeted parks projects of $4.1M and street projects totaling $2.8M. A significant portion of the park initiatives were improvements to Unity Park, highlighted by a new softball field and rebuild of Kids Kastle playground. This playground was originally constructed in the 1990's as a community build project. Following a fire in the 2000's, it was rebuilt again as a community project. With the play area at the end of its useful life, it was replaced in FY 2020 and enhanced as an all-inclusive playground. This amenity is a tremendous source of pride for the community. Expiring debt service, coupled with historically low interest rates provided an opportunity for debt issuance in 2022. Accordingly, a comprehensive assessment of park infrastructure, as well as identification of an ongoing revenue source of adding cabins in Pilot Knoll Park for rental, prompted a $6.4M bond issuance – this in conjunction with $8.85M for street improvements.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the submitted 2021 Comprehensive Annual Financial Report (CAFR).
- Received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2022 Budget.
- In conjunction with HR, established annual formal review process for Municipal Judge.
- Accomplished an audit of cash collection functions throughout the City.
- The Highland Village Teen Court program, created a partnership with a local service organization, Win the Fight, to conduct a class that brings awareness to drug and alcohol abuse.
- Implement online court forms for Defensive Driving, Deferred Disposition and extensions through Civic Plus in order to offer and expedite court processes, and requests such as and Compliance Dismissals.
- City Secretary Office proactively responded to 646 requests from the public for City records.
- Organized the volunteer application process for Council appointments to the City's Boards and Commissions.
- In compliance with the Texas State Library Archives and Commission Records Retention Schedule, conducted the annual purge of City documents.
- Implemented a digital business program that will standardize the internal processing of agreements and task orders in a more timely and efficient manner.
- Maintained the water and wastewater systems per TCEQ mandates and maintained the Outstanding Drinking Water System Award from TCEQ.
- Maintained the Superior Water System rating awarded to Utility Operations through TCEQ.
- Installed over 800 meters as new installs or those not reporting to the AMA system.
- Maintained the Fire Hydrant Maintenance Program per TCEQ mandates and ISO rating standards. As part of the program over 800 fire hydrants operated and flow tested.
- Replaced four lift station pumps and one potable water high service pump.
- Completed construction of the Miscellaneous Motor Control Replacement Project - Upgraded two SCADA Remote Telemetry Units and completed an MCC upgrade at Highland Shores pump station.
- Completed the Southwood 2 Ground Storage Tank Painting Project.
- Completed construction of the Water Line and Sanitary Sewer Line Replacement Project in the Village Estates III Subdivision.
- Designed and constructed the Edgewood 18" sanitary sewer pipe bursting Project.
- Excavated and repaired 47 water main breaks, service line leaks, and sanitary sewer line breaks.
- The Police Department successfully completed an on-site audit and for the fourth time since 2009 maintained accreditation status from the Texas Law Enforcement Accreditation Program.
- Obtained 75% funding from Lewisville Independent School District (LISD) for salary and benefits for a School Resource Officer (SRO) to serve our three (3) Elementary Schools.
- All Police Body Worn Cameras were upgraded to the Axon BWC 3 system. These state of the art cameras include automatic activation when a taser or firearm is unholstered by an officer. Other capabilities include location mapping, cloud video storage and streamlined video sharing with prosecutors. BWC camera footage is auto-tagged with CAD CFS data reducing manual entries by officers.

- New Animal Shelter and Services Contract - A new Animal Shelter contract was negotiated this year with Point Compass LLC at the Animal Medical Center of Highland Village. This new contract is for approximately 15 years with extension and termination options. Also negotiated was a new Animal Shelter Services Contract with All American Dogs to provide for cleaning, feeding and general care of our shelter animals. The agreement also provides for emergency on-call animal control services and adoption surrender services.
- TXFallenPD Bike Race Event – Over $71,000 raised for the Texas Police Chief's Foundation to benefit families of Texas officers with line of duty deaths. The TXFallenPD event held in October 2022, was the first time it was held at Doubletree Ranch. It was held in conjunction with National Night Out and a Concert in the Park, as well as with the Sgt Dennis Oliver Barn Dedication Ceremony.
- Public Safety Toy and Food Drive – Our Toy and Food Drive was a joint effort from both the Police and Fire Departments raising over $2,500 in cash, 15,000 diapers, and collecting over 7,500 toys. We participated in the First Responder Toy Drive from Five Star Ford along with numerous Denton County Police and Fire agencies.
- One officer successfully completed training and certification for Emergency Care Attendant (ECA). Two additional officers completed training and are pending final state certification. A total of eighteen (18) police officers are ECA certified.
- The Highland Village Alerts system (E-Watch) increased membership growth of approximately 1% to 4,785 members.

Completed Projects

Unity Park

- Tennis court resurfacing
- Crack and joint sealant around the concession stand and restroom buildings

Doubletree Ranch

- Installation of the HVAC system in the Dennis Oliver Event Center
- Server room HVAC system installation
- Installed safety barriers at the splash pad
- Completed the design of the food truck area, including electrical to the event center entrance

Pilot Knoll

- Completed and submitted TPWD grant application for the cabins and day-use area improvements
- Installed 20 new grills in the camping area

Copperas Branch

- Installed safety signage to allow the boat ramp to stay open +-526' elevation
- Installed a new HVAC system in the gatehouse
- Sewer line repair

Sellmeyer Tennis Courts

- Tennis court resurfacing

Village Park

- Safety and drainage improvements to the dock entrance to the pond

Community Volunteer Help for Projects and Events

- Kicked off the Our Village, Our Vision comprehensive planning process in January 2022. The department communicated and promoted the opportunities for participation in the Open House and the online engagement through SpeakUpHV.com. Over 300 people participated and provided feedback.
- Increased engagement with the community with specific projects on SpeakUpHV.com. The Have a Question? Ask Us! Project continues engagement with residents asking questions and staff responding in a timely manner. Since launching the project in March, 62 questions have been submitted and responded to.

- In September 2020, we transitioned from a quarterly printed newsletter to the monthly email newsletter. We continue to see growth in the subscriber database, with an increase from 4,357 to 5,438. The open rate averages 50%, which is outstanding given the industry average for Civic Organizations is 36%.
- Worked with all departments and City Communication Team to re-design the City website for a better user experience with easier access to information across all communication platforms. A survey ran from November to May to determine what changes the community desired, staff reviewed other website, current site statistics, and cleaned out old documents and links. The redesigned site it set to launch at the beginning of December 2021.
- Continue work on Phase 2 of the Security Camera Project, which will include cameras at Unity Park, and Copperas Branch Park.
- Selected a new software provider for Multi-Factor –Authentication.
- Assisted with the integration of the new access control system.
- Worked with the Municipal Court to implement software that allows the Judge to have remote access to document management system and remote files in the courtroom.
- Work with the City Secretary's office to transition to the new electronic signature system.
- Installed second internet for failover and redundancy.
- Install and configure new data back-up storage device.
- Created a separate and secure Wi-Fi for PD
- Enhanced video tagging for PD
- Assisted with the installation of new PD car cameras
- Updated voting layers, portal and new voting application
- Increased Cybersecurity testing and education.
- Updated Parks tablets and refined some of the work order templates
- Added several accreditations, for staff, including A+,VMware Certified Professional, Enterprise Cybersecurity Leadership certificate, Certified Floodplain Manager.
- Assisted in providing data and maps for the upcoming comp plan reviews.
- Created analysis and maps for economic development discussions concerning commercial property.
- Implemented a new employee engagement survey with 89% participation in the first year.
- Launched HealthiestYou through Teladoc. This expansion of Teladoc benefits enhances mental health resources - making finding and scheduling appointments with mental health professionals easy, affordable, and more accessible. HealthiestYou will also enhance other benefits like dermatology, basic medical, back and neck care, and much more through Telemedicine.
- Made adjustments to our recruitment strategy and continued to see a decline in turnover. This year we are at 9% which is an improvement from 11.5% the previous year and 14% from FY 2020.
- The Human Resources Department implemented a completely new digital performance management system in 2019, Lattice, and all departments are utilizing the new format. For FY 2021-2022:
    - 235 goals were created;
    - 433 individual feedback comments have been provided; and
    - 133 performance reviews were completed.
- The City's online employee wellness program, WellRight, continues to see great utilization. In its fourth full year, 114 employees qualified for wellness credit, and 88 completed activities beyond the minimum requirements. Many spouses also participated in the program, earning gift cards for completing wellness tasks. In the past 4 years, participation has gone from 93 to 114 participants, and we are consistently complimented by our insurance broker on our wellness participation.
- Recruited and on-boarded 32 new part-time and full-time employees.

- Obtained Gold designation from the American Heart Association's Workplace Health Achievement Index program for our efforts and best practices in promoting employee wellness.
- Partnered with the University of Texas in Arlington Master's program to provide students the opportunity to experience real-world business projects. This year the students conducted a salary survey for all City positions and presented results and recommendations to the City Council.
- Received Best Practices Recognition from the Texas Fire Chief Association
- Completed design work for the Joint Fire Training Facility with the City of Lewisville and Town of Flower Mound
- Completed an update of the inventory control system for purchasing of EMS supplies
- Worked with our County partner to completed Denton County Mitigation Plan
- Updated our EMS Protocols
- Completed renewal process for the Department's Medical License
- Cleaned approximately 3,665 linear feet of bar ditch and installed two drainage conversions for residents.
- Completed the Remington Sewer Line Erosion Control Project.
- Performed annual assessment and report under City's MS4 Storm Water Permit through TCEQ.
- Tested storm water quality at the entry and exit points of the City per the City's MS4 permit.
- Installed gabion mattresses for creek stabilization in 4 locations.
- Continued the mosquito trapping, prevention, and West Nile Virus testing program with no West Nile Virus human infection located in the City.
- Responded to the spring flooding events and maintained all infrastructure with no failures or wastewater overflows.
- Code Enforcement worked 1,177 cases, using CityWorks to track and monitor those cases.
- Code Enforcement continued a structured abatement program, collecting fees for abating vacant properties. Utilized Freedom Services for abatement work, streamlining the turnaround time for abatements.
- Code Enforcement continued collecting data on vacant properties and sharing the information obtained with the Police Department in an effort to better monitor and abate vacant houses.
- Performed 3,282 inspections.
- Issued 42 Certificates of Occupancy for commercial use.
- Registered 556 contractors, which is a decrease to the previous Fiscal Year in which there were approximately 482.
- Implemented the process so that Contractor Registrations can now be paid online through the online portal resulting in the increase of contractor registrations.

Relevant financial policies

The City's financial policies address accounting and fiscal operations of the City with emphasis on asset management, operating reserves and fund balances. The City has established policies to maintain a fund balance equivalent to at least 20% of General Fund expenditures. Accordingly, fund balance levels have remained above this level. Ending fund balance was 44% in FY 2018, 36% in FY 2019, 45% in FY 2020, 46% in FY 2021, and 41% in FY 2022. Financial policies provide for one-time or non-recurring revenues not being used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Fund balance levels are currently higher than anticipated to be necessary on an on-going basis. Financial policies call for the City to maintain a fund balance within a range of 20% -25%. A gradual plan is intended to reduce fund balance levels to this range – specifically by funding capital items with excess reserves. A continuing priority is to ensure sufficient revenues are available for the level of operating expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its annual comprehensive financial report for the fiscal year ended September 30, 2021. This was the twenty-ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

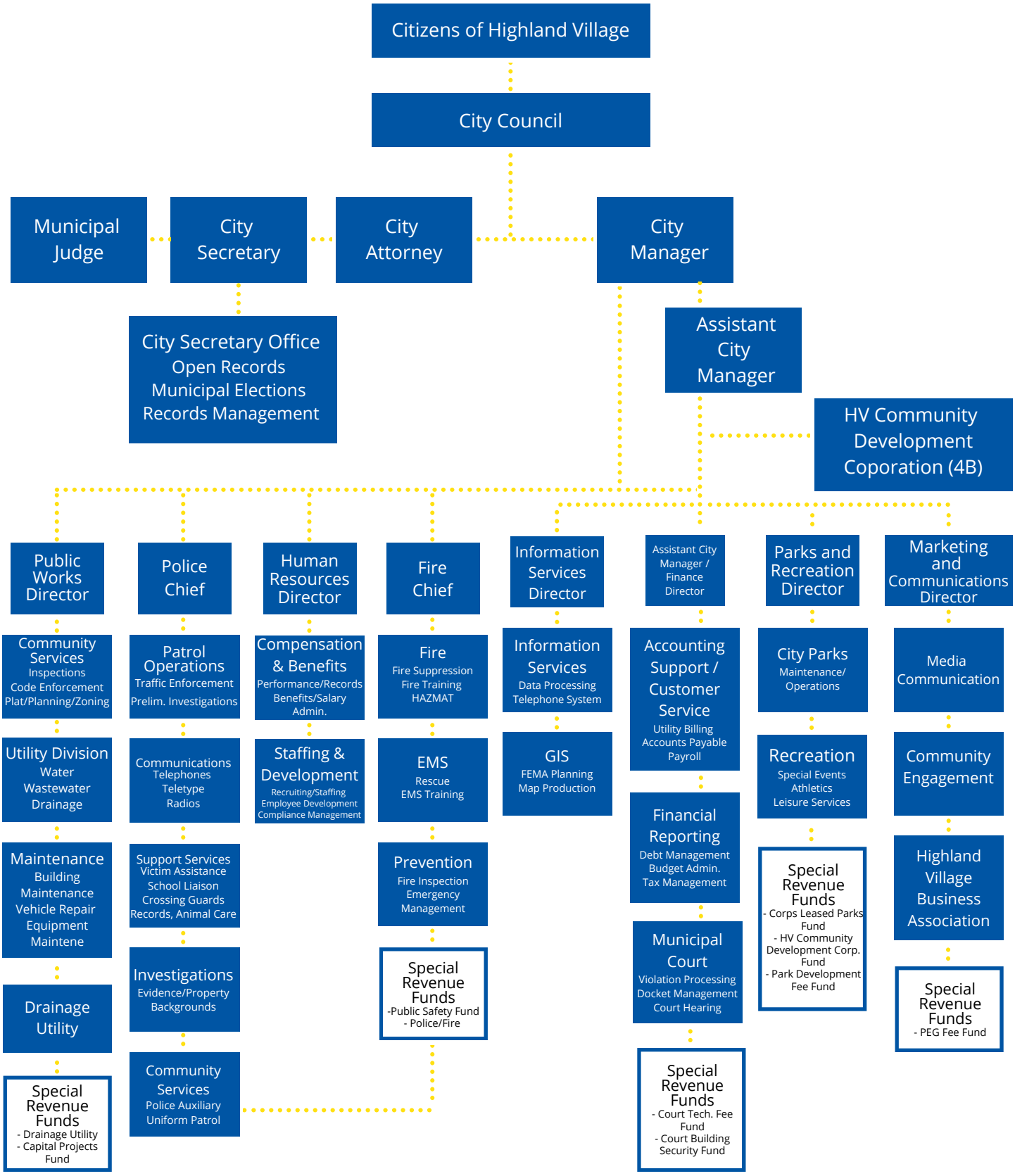
In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2021– the City's fifteenth consecutive receipt of this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Thanks especially to Heather Miller for her hard work toward the completion of this document and continued commitment to excellence in accounting standards. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Highland Village, preparation of this report would not have been possible.

Sincerely,

Ken Heerman
Assistant City Manager



City of Highland Village, Texas
Organizational Chart
Fiscal Year 2021 - 2022

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2022

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Daniel Jaworski, Mayor	Place 1	05/2024
Jon Kixmiller, Deputy Mayor Pro Tem	Place 2	05/2024
Mike Lombardo, Mayor Pro Tem	Place 3	05/2023
Shawn Nelson	Place 4	05/2024
Tom Heslep	Place 5	05/2023
Robert Fiester	Place 6	05/2024
Brian Fiorenza	Place 7	05/2023

ADMINISTRATIVE

Paul Stevens	City Manager
Angela Miller	City Secretary
Ken Heerman	Assistant City Manager
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
Jason Collier	Fire Chief
Jana Onstead	Human Resources Director
Phil Lozano	Director of Parks and Recreation
Sunny Lindsey	Information Services Director
Laurie Mullens	Director of Communications and Marketing

Prepared by:
City's Finance Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Highland Village, Texas as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Highland Village, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the City of Highland Village, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Highland Village, Texas' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Highland Village's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Highland Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Highland Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Highland Village, Texas' basic financial statements. The combining and individual fund financial statements and schedules and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of City of Highland Village, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Highland Village, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $57,680,068. Of this amount, $9,811,793 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position increased by $1,715,927. A $97,190 increase in net position related to governmental activities and an increase of $1,618,737 in net position in business-type activities.

- As of September 30, 2022, the City of Highland Village's governmental funds reported combined ending fund balances of $26,327,376 an increase of $13,894,451 in comparison with the prior year. Approximately 25 percent of this total amount, $6,651,051, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $6,651,051 or 33 percent of total General Fund expenditures.

- The City of Highland Village's total debt increased by $9,115,000 during the current fiscal year. This is attributed to new debt issuance of $14,240,000 partially offset by net refunded debt of $2,090,000, as well as debt payments of $3,035,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Highland Village's basic financial statements. The City of Highland Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Highland Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highland Village is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

Governmental activities. Most of the City's basic services are reported here, including the police, fire, community development, public works, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

Business-type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and drainage utilities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Highland Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The City of Highland Village maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $57,680,068 as of September 30, 2022. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $45,845,278 and business-type activities' net position was $11,834,790. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

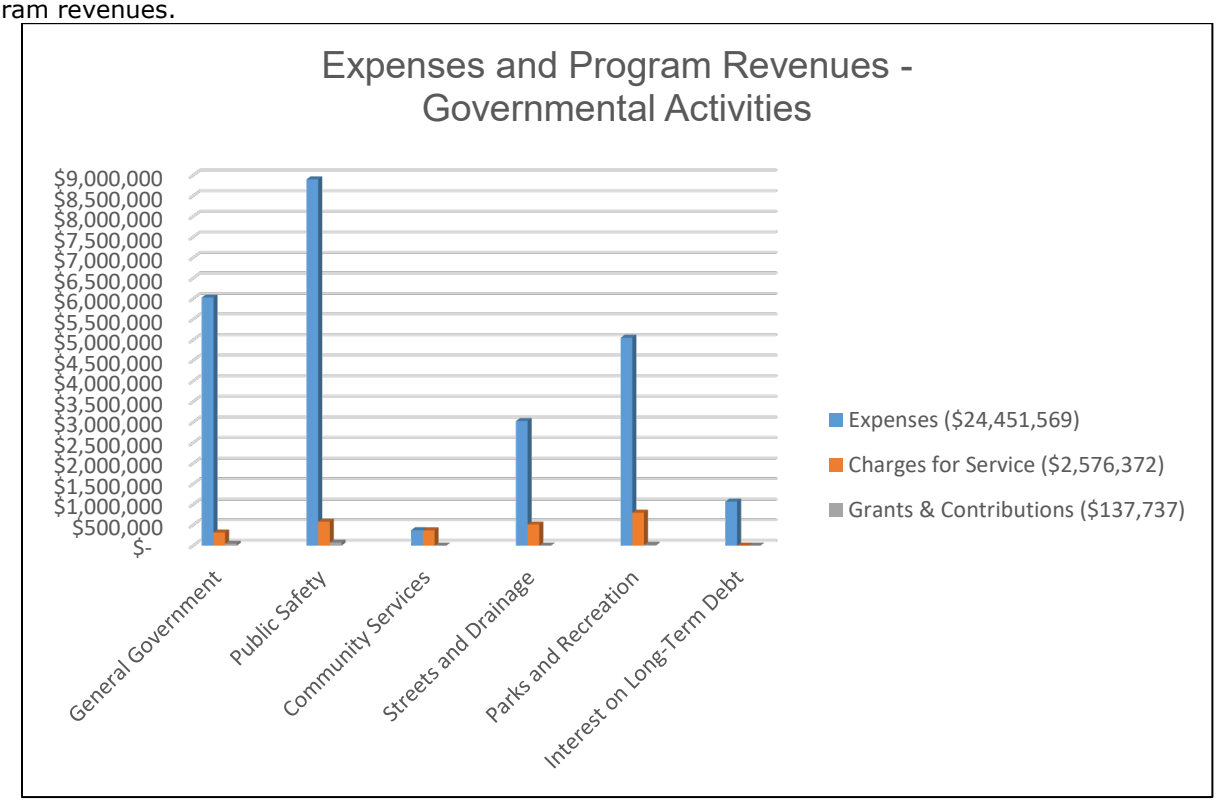
	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 31,272,457	$ 14,128,323	$ 11,182,263	$ 8,954,143	$ 42,454,720	$ 23,082,466
Capital assets	57,887,896	58,375,544	14,378,662	15,087,162	72,266,558	73,462,706
Total assets	89,160,353	72,503,867	25,560,925	24,041,305	114,721,278	96,545,172
Deferred outflows of resources	1,464,528	1,398,151	220,086	189,970	1,684,614	1,588,121
Long-term liabilities	33,909,175	22,163,683	8,747,973	9,823,426	42,657,148	31,987,109
Other liabilities	5,047,461	4,697,754	4,837,775	4,026,725	9,885,236	8,724,479
Total liabilities	38,956,636	26,861,437	13,585,748	13,850,151	52,542,384	40,711,588
Deferred inflows of resources	5,822,967	1,292,493	360,473	165,071	6,183,440	1,457,564
Net position:						
Net investment in capital assets	39,283,602	40,488,662	6,028,561	7,252,431	45,312,163	47,741,093
Restricted	1,263,887	1,057,266	1,292,225	1,207,251	2,556,112	2,264,517
Unrestricted	5,297,789	4,202,160	4,514,004	1,756,371	9,811,793	5,958,531
Total net position	$ 45,845,278	$ 45,748,088	$ 11,834,790	$ 10,216,053	$ 57,680,068	$ 55,964,141

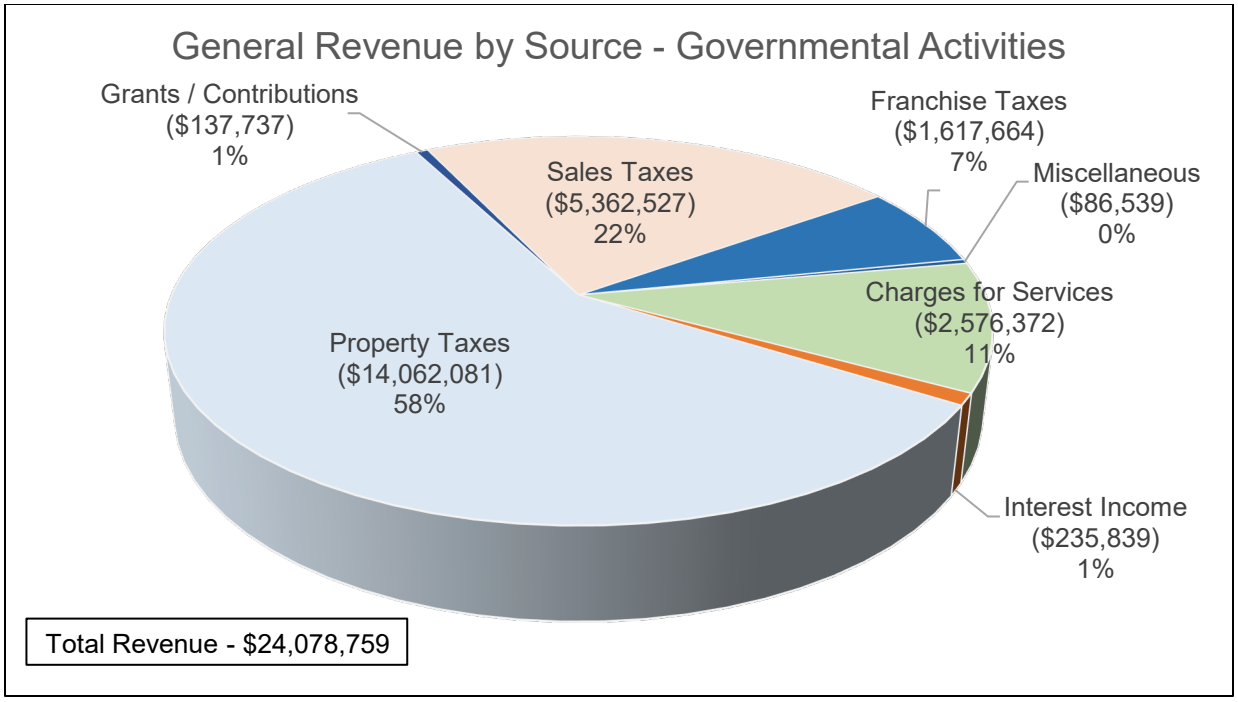
The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2022. Governmental activities increased the City's net position by $97,190 and business-type activities increased the City's net position by $1,618,737, resulting in a net $1,715,927 increase in total net position.

TABLE 2
CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	2,576,372	2,439,211	10,722,176	$ 9,552,361	$ 13,298,548	$ 11,991,572
Operating grants and contributions	76,636	113,234	1,547,662	-	1,624,298	113,234
Capital grants and contributions	61,101	776,828	215,479	1,199,342	276,580	1,976,170
General revenues:						
Property taxes	14,062,081	13,552,545	-	-	14,062,081	13,552,545
Sales taxes	5,362,527	4,732,971	-	-	5,362,527	4,732,971
Franchise fees	1,617,664	1,513,527	-	-	1,617,664	1,513,527
Interest income	235,839	38,718	49,392	15,064	285,231	53,782
Miscellaneous	86,539	83,090	-	-	86,539	83,090
Total revenues	24,078,759	23,250,124	12,534,709	10,766,767	36,613,468	34,016,891
Expenses:						
General government	6,029,386	5,532,530	-	-	6,029,386	5,532,530
Public safety	8,899,370	8,432,376	-	-	8,899,370	8,432,376
Community services	374,687	467,764	-	-	374,687	467,764
Streets and drainage	3,026,367	3,046,868	-	-	3,026,367	3,046,868
Parks and recreation	5,052,548	4,577,551	-	-	5,052,548	4,577,551
Interest on long-term debt	1,069,211	586,607	-	-	1,069,211	586,607
Water and wastewater	-	-	10,445,972	9,880,513	10,445,972	9,880,513
Total expenses	24,451,569	22,643,696	10,445,972	9,880,513	34,897,541	32,524,209
change in net position before transfers	(372,810)	606,428	2,088,737	886,254	1,715,927	1,492,682
Transfers	470,000	470,000	(470,000)	(470,000)	-	-
Change in net position	97,190	1,076,428	1,618,737	416,254	1,715,927	1,492,682
Net position, beginning	45,748,088	44,671,660	10,216,053	9,799,799	55,964,141	54,471,459
Net position, ending	$ 45,845,278	$ 45,748,088	$ 11,834,790	$ 10,216,053	$ 57,680,068	$ 55,964,141

Governmental activities. The City's expenses for governmental activities are detailed below – with associated program revenues.




General Revenue by Source - Governmental Activities
Grants / Contributions ($137,737) 1%
Sales Taxes ($5,362,527) 22%
Franchise Taxes ($1,617,664) 7%
Miscellaneous ($86,539) 0%
Charges for Services ($2,576,372) 11%
Property Taxes ($14,062,081) 58%
Interest Income ($235,839) 1%
Total Revenue - $24,078,759

Net position associated with governmental activities increased $97,190 in FY 2022 – this compared to a $1,076,528 increase in net position in FY 2021.

- FY 2022 revenues increased $828,635 from the previous year. Key elements of this increase is as follows:
    - Charges for services increased $137,161, reflective of increased governmental collections ($62,823), Public Safety ($30,068 – primarily increased EMS fees), and Parks ($55,717 – largely due to increased park entry fees collected).
    - Capital grants and contributions decreased $715,727 primarily reflective of infrastructure donated to the City the previous year with approval of the Reserve at Chapel Hill subdivision.
    - Property taxes increased by $509,536 during the year. Most of this increase is the product of a 10.4% increase in the taxable assessed value of the property, partially mitigated by a decrease in the property tax rate.
    - Sales tax revenue increased by $629,556. Collected sales tax were increased 11% from the prior year.
    - Franchise fees increased $104,137, reflective of increased sales for both the electric and gas franchises, with the City collecting the increased proportionate percentage.
    - Investment earnings increased by $197,121, resulting from increased yields.

- FY 2022 expenses increased $1,807,873 from FY 2021, reflecting inflation and increased service demand. The total expense amount of $24,451,569 was greater than total revenues – creating a $372,810 decrease in net position before transfers. This compares to a $606,428 increase in FY 2021 net position.
    - General government expenses increased by $496,856. This increase is primarily attributed to expenditures associated with a Comprehensive Plan update totaling $543,025.
    - Public Safety expenses increased $466,994. $386,591 pro-rata share of capital costs for initial design, construction, and equipping of a joint fire training facility was funded in FY 2022.
    - Parks and recreation expenses increased by $474,997. A large portion of this increase is increased parks maintenance of $191,429, largely regarding improvements at Doubletree Ranch Park. In addition, there was increased cost for maintenance contracts of $62,165 largely associated with ROW mowing, as well as increased capital expenditures primarily related to the purchase of two workman utility vehicles ($62,527).
    - Interest on long-term debt increased $482,604, as the City issued debt in FY 2022.

Business-type activities: Business-type activities reflected a $1,618,737 increase in the City's net position – this compared to a $416,254 increase in net position in FY 2021. Overall, revenue exceeded expense and transfers.

- Charges for service increased $1,169,815 from last year's total of $9,552,361. Water sales increased from the previous year as a result of increased consumption during the summer months. Sewer sales also reflected a modest increase from the previous year.

- Operating and capital grants and contributions increased by $563,799. $1,547,662 in Coronavirus State and Local Fiscal Recovery Funds were expended in FY 2022. $915,169 in water and sewer capital improvements contributed by the developer of the Reserve at Chapel Hill subdivision was received in FY 2021.

- Interest income increased $34,328, reflective of higher yields.

- Expenses reflected an increase of $565,459 from last year largely related to increased maintenance costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $26,327,376 an increase of $13,894,451 in comparison with the prior year. Approximately 25 percent of this total amount, or $6,651,051, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $17,246,227, committed - $852,433, assigned - $1,531,806, or non-spendable - $45,859.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $6,651,051, while total fund balance was $8,228,716. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33 percent of total General Fund expenditures, while total fund balance represents 41 percent of that same amount.

The original budget for FY 2022 reflected a $1,288,241 drawdown of the projected fund balance of $7,228,611, primarily to fund capital equipment purchases – while still providing for sufficient reserve balances. Actual ending fund balance for FY 2021 was $8,268,987. For FY 2022, revenues of $18,885,184 exceeded the budgeted amount by $91,904, and expenditures of $19,937,900 in FY 2022 were below the budgeted amount by $661,621. Additionally, $480,023 of the total expenditure total was offset by financing sources of leases issued. These variances comprised the majority of the decrease in fund balance of $40,271. Key factors affecting fund balance are as follows:

- Total General Fund revenues of $18,885,184 were increased from FY 2021 by $1,223,234.
  - Taxes reflected a $1,038,787 increase from FY 2021.
    - Property tax revenue increased $510,577 largely resulting from a 10.4% increase in assessed valuation, partially offset by a property tax decrease.
    - Sales tax revenue increased $431,775.
    - Franchise fees increased by $96,435.
  - Licenses, permits and fees increased $21,601 reflecting modest increase in building permits issued in FY 2022.
  - Investment earnings increased $89,369 resulting from increased yields.
  - Charges for Services revenues experienced a $54,557 increase, primarily reflective of increased collections from ambulance service fees.

- Total General Fund expenditures of $19,937,900 represent an increase of $2,030,157 from the previous year. The FY 2022 actual expenditures were $661,621 below the original budgeted amount.

    - Personnel expenditures totaling $13,792,463 reflected an increase of $751,999 from FY 2021. The increase was evenly distributed between salaries ($379,617) and benefits ($372,382). Overall salary increases of 5% were partially offset by reductions associated with turnover. Benefit costs increased by $372,382 largely related to increased expenditures for medical insurance coverage, also reflecting an increase in Texas Municipal Retirement System payments.

    - Services / Supplies expenditures increased by $909,466.

        - Professional services increased $519,599 primarily as a result of a Comprehensive Plan update initiated in FY 2022.

        - Supplies / Equipment decreased $196,707. This primarily resulted from a decrease in Building and Grounds Maintenance of $321,695 stemming from the last remaining roof replacements totaling $376,031 from a prior year hail storm in FY 2021. This was partially offset by increased expenditures for park maintenance of $65,302 and increased costs for fuel ($94,033).

        - Street Maintenance decreased $97,740 partially related to delayed implementation of the FY 2022 street overlay program.

        - A one-time proportionate payment of $386,591was made to the City of Lewisville for the construction of a joint regional fire training facility.

        - A principal amount of $114,022 was booked with the implementation of the GASB Statement No. 87, Leases.

    - Capital Outlay expenditures increased by $368,691 in FY 2022, largely due to provision for capital leases issued of $480,023.

- Total Other Financing Sources (Uses) reflected a net total of $1,012,445 – a $450,265 increase from FY 2021. Base elements of this total include transfers-in of $470,000, $28,000, and $16,000 respectively, from the Utility Fund, Highland Village Economic Development Corporation and Drainage Utility Fund for support functions provided by the General Fund, as well as a transfer-in of $18,257 from the Public Safety Fund related to collected Child Safety Fees. Also included were $480,023 related to leases issued. These transfers-in were partially offset by transfers to the Drainage Utility Fund of $16,000 for the City's drainage fees.

The Debt Service Fund has a total fund balance of $93,470, a decrease of $44,506, all of which is restricted for the payment of debt service.

The Capital Projects Fund ended the year with a $15,888,870 fund balance, increased $13,503,954 from FY 2021 primarily related to debt issuance of $15.3M in FY 2022.

Remaining governmental funds reported a combined ending fund balance of $2,116,320, reflecting an increase of $475,274.

- Revenues for these funds reflected an increase of $217,366 from the previous year. The increase was primarily reflective of increased sales tax collections of $197,781 in the Highland Village Community Development Fund. This was buttressed by a $48,411 increase in licenses, permits, and fees, largely related to collected fees in the Corps Leased Parks Fund.

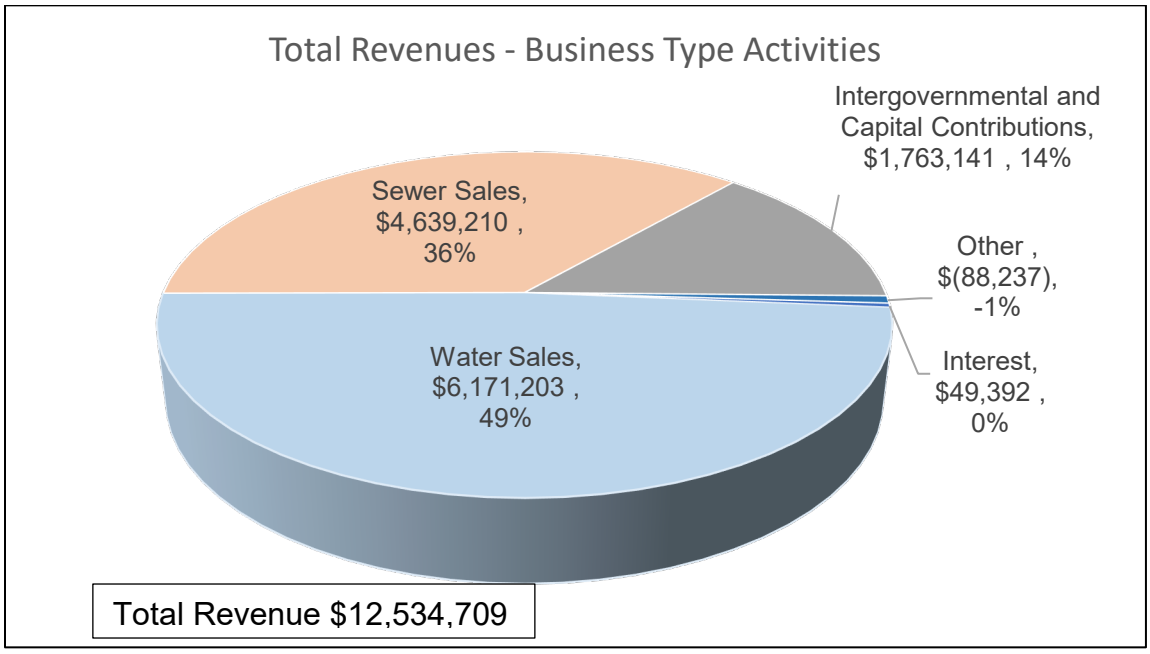
- Combined expenditures increased $286,266. The increase is largely related to increased operations and capital expenditures totaling $333,744 across several funds (Corps Leased Parks Fund - $55,612, Drainage Fund - $99,692, Highland Village Community Development Fund - $148,440).

- Total Other Financing Sources (Uses) reflected a net total of $-856,614 – a net $40,048 increase from FY 2021. This decrease is primarily reflective of FY 2021 including a $61,549 transfer from the Public Safety Fund to the General Fund regarding collected reimbursement from the Texas Division of Emergency Management to offset related public safety personnel cost, partially offset by a transfer of $20,000 from the General Fund to the Drainage Utility for capital equipment also in FY 2021.

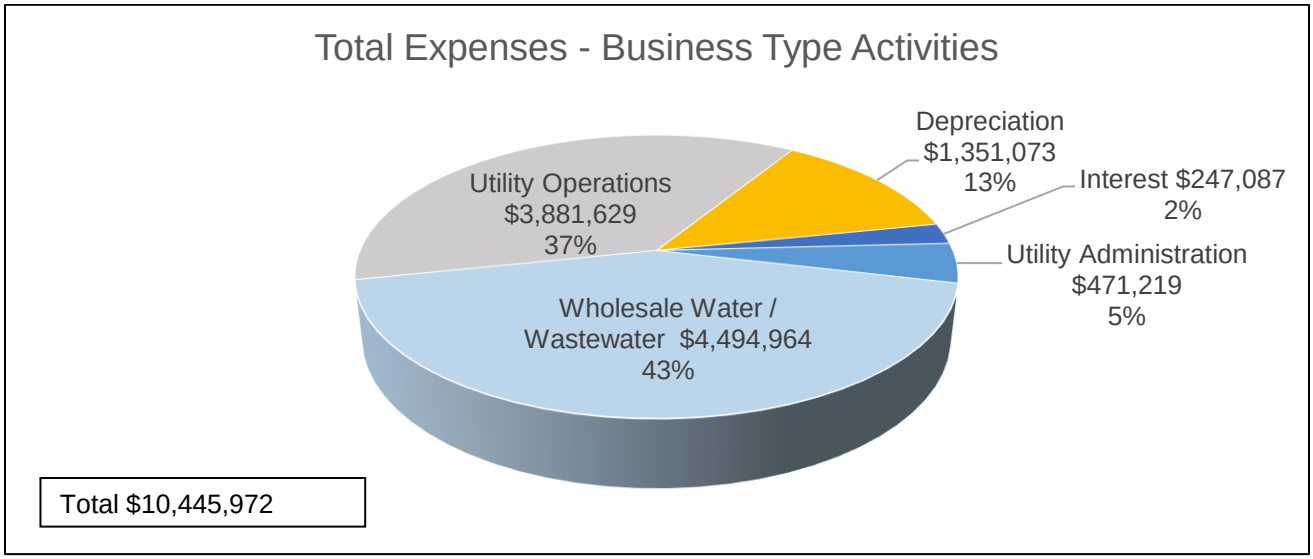
Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position in the Enterprise Fund totaled $11,834,790 at the end of the fiscal year 2022, an increase of $1,618,737, or 15.8%. Included in net position is $1,292,225 restricted for capital projects and unrestricted net position of $4,514,004. The remaining net position balance of $6,028,561 consists of net investments in capital assets.

- Utility operating revenues of $10,722,176 reflected an increase of $1,169,815 or 12.2%, in FY 2022.
  - Water sales increased $953,771.
  - Sewer sales increased $223,763.
  - Other fees decreased $7,719.


Total Revenues - Business Type Activities
Intergovernmental and Capital Contributions, $1,763,141 , 14%
Sewer Sales, $4,639,210 , 36%
Other , $(88,237), -1%
Water Sales, $6,171,203 , 49%
Interest, $49,392 , 0%
Total Revenue $12,534,709

- Utility operating expenses of $10,198,885 increased $615,040, or 6.4%.
  - Administration expenses increased $48,895 in FY 2022.
  - Maintenance and Operations increased $559,334.
    - Wholesale water / sewer treatment cost increased $55,931.
    - Personnel expenses increased $47,785.
    - Services and supplies increased $455,619.
      - Utilities increased $141,820.
      - Water meter maintenance increased $158,375 primarily relating to planned replacement of water meters that have reached established usage threshold.
      - Water storage tank maintenance increased $60,273 resulting from scheduled painting of the Southwood 2 water storage tank.
      - Lift Station maintenance increased $46,297, stemming from pump replacements.
      - Well lot maintenance increased $44,234, largely related to upgrade of Southwood water well.
  - Depreciation increased in FY 2022 by $6,811.



GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2021-2022, the City Council of the City of Highland Village amended the budget for the General Fund on one occasion, resulting in an increase in budgeted expenditures of $335,000. The majority of these appropriations relate to actions taken to fund unbudgeted items during the fiscal year, including the acceptance of grants during the year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues provided sufficient reserves to recommend their increase. All budget amendments presented had either offsetting reductions or sufficient available fund balances reserves.

For fiscal year 2021-2022, actual expenditures on a budgetary basis were $19,937,900. This total was less than the original budgeted expenditures of $20,599,525 by $661,625, and $996,625 below the revised budget. The supplemental requests approved during the year are summarized following:

- Personnel expenditures increased by a total of $25,000 which consists of increases in City Manager ($20,000), Communication / Marketing ($15,000), City Secretary ($20,000), Fire ($50,000), Streets ($20,000), Maintenance ($20,000), and Parks ($20,000) Departments, offset by decreases in the Police ($-90,000), and Human Resources ($-50,000) Departments. These changes resulted from mid-year adjustments, personnel changes, insurance coverage elections, etc. In addition, the amendments addressed the reallocation of some items budgeted in a single department, such as incentive pay, with actual expenditures charged to the respective departments. Also, supplemental one-time retention incentive payments for non-managerial employees comprised some of the adjustments.

- Services and supplies expenditures increased in total by $235,000 which consists of the following amendments:
    - City Manager – Increased $30,000 resulting from additional charges associated with the Comp Plan update.
    - Marketing – Increased $10,000 resulting increased special event costs.
    - Fire - Increased $15,000 mostly related to purchase of safety equipment.
    - Parks – Increased $20,000 related to removal of diseased pine trees on City property.
    - Community Services – Increased $10,000 associated with increased professional services.
    - Maintenance - Increased $150,000 related to increased fuel costs as well as utilities.

- Increased Capital Outlay in total by $75,000 which consists of the following amendment:
    - Police – Increased $70,000 due to receipt of an animal control vehicle carried over from FY 2021.
    - Streets – Increased $5,000 resulting from actual cost of received fork lift exceeding budget amount.

Actual revenue on a budgetary basis was $18,885,184 compared to the original budget of $18,793,280, providing a positive variance of $91,904. Actual tax revenues were $238,791 more than the budget amount, primarily related to Sales Tax receipts. Licenses, permits and fees actual revenues were less than budgeted by $88,147. Investment earnings were $80,052 less than budgeted, reflective of higher yields. Charges for services were $24,323 above the budgeted amount primarily resulting from increased EMS fees received. Miscellaneous revenues were $177,286 less than budgeted mostly related to delay of receipt of new vehicles with leasing program, thus providing no opportunity for sale of replaced vehicles as anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2022, amounted to $72,266,558 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, machinery, equipment, and right-to-use assets.

Major capital asset events during the current fiscal year included the following:

Project	**Amount**
Street Reconstruction Phase 4	$ 920,412
Highland Village Rd Sidewalk	534,086
Glenmere, Camden, Turpin, La Mesa Water and Sewer Lines	407,858
Use of building – Animal Shelter	365,356
Edgewood Dr. Sewer Line Replacement	135,704
2022 Street Improvement Project	129,200
SX Single Site Assureon Data Vault Node	108,153
Use of equipment - Axon Camera and Accessories	105,431
John Deere 331G Skid Steer Compact Track	73,914
Highland Shores Blvd Street Reconstruction	62,760
Doubletree Park Barn HVAC	62,357
Victoria Park Sidewalk Improvements	57,307
Sellmeyer and Doubletree Tennis Parking Lot	54,585
2021 Ford F-150 Responder	38,940
Toro Workman HDX – 2WD	31,264
Toro Workman HDX – 2WD	31,264
Mitsubishi 5000# LP Pneumatic Forklift	29,134
Sandero, Bexar, Victoria, Malibu Waterlines	28,618
Unity Park Softball Fields	26,963

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	14,432,493	14,548,054	-	-	14,432,493	14,548,054
Buildings and improvements	4,620,430	5,063,994	646,022	717,943	5,266,452	5,781,937
Distribution system			12,603,907	12,872,218	12,603,907	12,872,218
Equipment and machinery	2,923,791	3,313,935	638,813	775,392	3,562,604	4,089,327
Infrastructure	15,830,826	16,875,450	7,374	7,989	15,838,200	16,883,439
Intagibles	5,689	73,908	-	-	5,689	73,908
Right to use equipment	298,159	-	-	-	298,159	-
Right to use building	360,368	-	-	-	360,368	-
Construction in progress	2,232,292	1,316,355	406,833	637,907	2,639,125	1,954,262
Total capital assets	$ 57,887,896	$ 58,375,544	$ 14,378,662	$ 15,087,162	$ 72,266,558	$ 73,462,706

Additional information on the City's capital assets can be found in Note E on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $39,440,000. Of this amount, $30,765,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligations	$ 16,620,000	$ 12,145,000	$ 6,150,000	$ 3,900,000	$ 22,770,000	$ 16,045,000
Combination tax and revenue certificates of obligation	14,145,000	7,745,000	2,525,000	6,245,000	16,670,000	13,990,000
Tax notes	-	290,000	-	-	-	290,000
	$ 20,180,000	$ 22,430,000	$ 10,145,000	$ 11,060,000	$ 30,325,000	$ 33,490,000

The City's total debt increased by $9,115,000 during the current fiscal year. A key factor in this increase was debt issuance of $14,240,000 partially offset by net refunded debt of $2,090,000, as well as debt payments of $3,035,000.

The City's tax supported debt is rated "AAA" by Standards & Poor's. The current ratio of tax-supported debt to assessed value of all taxable property is 1.2 percent.

Additional information on the City's outstanding debt can be found in Note G and H on page 43-46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2022-2023 budget was adopted by ordinance on September 20, 2022. The following summarizes the significant factors that were considered in adopting the budget.

- General fund revenues are budgeted to increase by 7.9% over the FY 2022 budget with property taxes making up 65% of the general fund budgeted revenues. The property tax taxable values increased by 10.4%, prompting a tax rate reduction to remain within revenue cap constraints. Accordingly, the Council approved a tax rate of $.546825 per $100 valuation, reduced from the previous $0.56302 tax rate. The updated tax rate is comprised of $0.471792 apportioned to maintenance and operation expenses and $0.075033 apportioned to pay interest and principle maturities on outstanding debt. Sales tax represents 18% of the budget general fund revenues. Sales tax collections are expected to increase 12% over the FY 2022 budgeted amount.

- General fund expenditures are budgeted to increase by 3.6% over the FY 2022 original budget.

    - Personnel expenditures represent 68% of budgeted general fund expenditures. The proposed total increase in personnel is $612,367 or 4.4% over FY 2022. The majority of this increase, $525,108, is related to an overall 5% salary increase. Overtime increased $157,403, primarily related to increasing Police Officer biweekly shifts to 84 hours from 80 hours, resulting in added four hours overtime. An administrative position was eliminated to accommodate this change, providing a $126,587 offset. This change will provide increased coverage as well as providing an increase in officer pay. Base salaries will experience an $86,851 reduction resulting from turnover of tenured employees. Health insurance is expected to increase by $113,827.

- Supplies and services expenditures represent 30% of the budgeted general fund expenditures. Expenditures in this category are expected to increase by $256,899 or 4.2% from FY 2022. Professional Services will decrease $181,202 – largely attributed to a one-time expenditure of $350,000 related to a Comprehensive Master Plan Update in FY 2022 not repeated. This was partially offset by an increase in maintenance contracts related to supplemental requests for Police to add mobile video units as well as Flock stationary cameras totaling $67,926. Supplies and equipment provide for a $594,113 increase, stemming from a municipal facilities security upgrade that is carried over from FY 2022 ($404,384) as well as an anticipated increase in fuel prices ($169,993). Additionally, FY 2023 expenditures reflect a reduction of $396,591 as an expenditure in FY 2022 for a one-time Highland Village pro-rata portion of funding for joint fire training facility. This was partially offset by a $45,744 contract with All American Dogs to provide animal shelter services. And lease expenditures for the fleet management program increase $116,025 as more vehicles are replaced.

- Capital outlay expenditures represent 2% of the budgeted general fund expenditures. Capital expenditures are budgeted at $390,900 a $126,047 or 24% decrease from the FY 2021 original budget. Just under one-half of the capital budget provides for upfront capital for peripheral items with replaced vehicles ($146,900) pertaining to the lease program for City vehicles. A replacement generator is also addressed ($50,000), as well as Parks utility vehicle replacements totaling $66,000. Supplemental items include Parks equipment – a dedicated spray vehicle ($70,000) and zero turn mower ($28,000), as well as a trailer to hold recreation event equipment ($20,000).

- The water sales are budgeted at $5,483,922, representing an increase of 2.9% from the budget for FY 2022. Projections are based on normalized usage determined by the past several years history – applied to the projected home count. Wastewater sales are budgeted at $4,626,689, representing a 4.7% increase from FY 2022.

- Water and wastewater expenses are budgeted at $8,669,531 representing a $271,408 or 3.2 % increase compared to FY 2022 budget. Increased costs for wholesale water and effluent treatment from the Upper Trinity Regional Water District ($252,378) comprises the bulk of the increase.

Information on subsequent events is detailed in Note K on pages 50-51 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

BASIC
FINANCIAL STATEMENTS

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 26,762,678	$ 5,997,842	$ 32,760,520
Receivables (net of allowances for uncollectibles)			
Taxes	1,443,663	-	1,443,663
Accounts	119,792	1,776,639	1,896,431
Leases	2,885,747	-	2,885,747
Other	13,220	4,557	17,777
Due from other governments	1,498	-	1,498
Inventories and prepaid items	45,859	249,202	295,061
Restricted cash and investments:			
Reserved bond debt service	-	719,747	719,747
Capital improvements	-	1,036,706	1,036,706
Construction	-	1,292,225	1,292,225
Customer deposits	-	105,345	105,345
Capital assets:			
Nondepreciable	19,416,140	482,546	19,898,686
Depreciable, net	38,471,756	13,896,116	52,367,872
Total capital assets	57,887,896	14,378,662	72,266,558
Total assets	89,160,353	25,560,925	114,721,278
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	177,088	70,169	247,257
Deferred outflows related to pensions	1,183,549	137,819	1,321,368
Deferred outflows related to post employment benefits	103,891	12,098	115,989
Total deferred outflows of resources	1,464,528	220,086	1,684,614

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	1,331,740	1,063,232	2,394,972
Accrued liabilities	484,433	103,352	587,785
Retainage payable	106,948	38,373	145,321
Unearned revenue	99,061	2,590,596	2,689,657
Accrued interest	132,748	35,878	168,626
Customer deposits	-	105,345	105,345
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,884,756	900,094	3,784,850
Total OPEB liability	7,775	905	8,680
Due in more than one year:			
Long-term debt	32,749,378	8,612,922	41,362,300
Net pension liability	673,812	78,461	752,273
Total OPEB liability	485,985	56,590	542,575
Total liabilities	38,956,636	13,585,748	52,542,384
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	2,835,556	-	2,835,556
Deferred gain on refunding	-	12,603	12,603
Deferred inflows related to pensions	2,943,613	342,770	3,286,383
Deferred inflows related to post employment benefits	43,798	5,100	48,898
Total deferred inflows of resources	5,822,967	360,473	6,183,440
NET POSITION			
Net investment in capital assets	39,283,602	6,028,561	45,312,163
Restricted for:			
Community development	650,601	-	650,601
Public safety	136,618	-	136,618
Utility drainage	333,079	-	333,079
Public broadcasting	143,589	-	143,589
Capital projects	-	1,292,225	1,292,225
Unrestricted	5,297,789	4,514,004	9,811,793
Total net position	$ 45,845,278	$ 11,834,790	$ 57,680,068

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	$ 6,029,386	$ 316,520	$ 2,925
Public safety	8,899,370	580,343	73,711
Community services	374,687	369,116	-
Streets and drainage	3,026,367	512,635	-
Parks and recreation	5,052,548	797,758	-
Interest on long-term debt	1,069,211	-	-
Total governmental activities	24,451,569	2,576,372	76,636
Business-type activities:			
Water and wastewater	10,445,972	10,722,176	1,547,662
Total business-type activities	10,445,972	10,722,176	1,547,662
Total primary government	$ 34,897,541	$ 13,298,548	$ 1,624,298

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Franchise
  - Sales
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

	Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
$ 42,115	$(5,667,826)	$ -	$(5,667,826)
-	(8,245,316)	-	(8,245,316)
-	(5,571)	-	(5,571)
-	(2,513,732)	-	(2,513,732)
18,986	(4,235,804)	-	(4,235,804)
-	(1,069,211)	-	(1,069,211)
61,101	(21,737,460)	-	(21,737,460)
215,479	-	2,039,345	2,039,345
215,479	-	2,039,345	2,039,345
$ 276,580	(21,737,460)	2,039,345	(19,698,115)
	12,054,691	-	12,054,691
	2,007,390	-	2,007,390
	1,617,664	-	1,617,664
	5,362,527	-	5,362,527
	235,839	49,392	285,231
	86,539	-	86,539
	470,000	(470,000)	-
	21,834,650	(420,608)	21,414,042
	97,190	1,618,737	1,715,927
	45,748,088	10,216,053	55,964,141
	$ 45,845,278	$ 11,834,790	$ 57,680,068

CITY OF HIGHLAND VILLAGE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General	Debt Service
ASSETS		
Cash and investments	$ 8,601,722	$ 93,470
Receivables, net		
Taxes	1,140,074	16,591
Accounts	119,792	-
Leases	2,885,747	-
Other	-	-
Due from other governments	-	-
Prepaid items	45,859	-
Total assets	12,793,194	110,061
LIABILITIES		
Accounts payable	1,068,427	-
Accrued liabilities	445,839	-
Unearned revenue	38,454	-
Total liabilities	1,552,720	-
DEFERRED INFLOWS OF RESOURCES		
Related to leases	2,835,556	-
Unavailable revenue:		
Property taxes	93,730	16,591
Municipal court fines	37,501	-
Ambulance	44,971	-
Grants	-	-
Total deferred inflows of resources	3,011,758	16,591
FUND BALANCES		
Nonspendable - prepaid items	45,859	-
Restricted for:		
Debt service	-	93,470
Public parks, recreation, and related projects	-	-
Public safety - law enforcement operations	-	-
Utility drainage operations	-	-
Capital projects	-	-
Public broadcasting	-	-
Committed - park development and maintenance	-	-
Assigned for:		
Subsequent year's budget - appropriation of fund balance	547,581	-
City manager- professional services	99,719	-
Finance - professional services	41,750	-
Community services - professional services	172	-
Information services - professional services	38,310	-
Public safety - police - services and supplies	75,268	-
Public safety - fire - services and supplies	7,212	-
Streets - maintenance and professional services	215,056	-
Maintenance - fleet and building maintenance	360,351	-
Parks - maintenance and supplies	142,758	-
Recreation - services	3,629	-
Unassigned	6,651,051	-
Total fund balances	8,228,716	93,470
Total liabilities, deferred inflows of resources, and fund balances	$ 12,793,194	$ 110,061

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ 16,041,550	$ 2,025,936	$ 26,762,678
-	286,998	1,443,663
-	-	119,792
-	-	2,885,747
-	13,220	13,220
-	1,498	1,498
-	-	45,859
16,041,550	2,327,652	31,272,457
152,680	110,633	1,331,740
-	38,594	484,433
-	60,607	99,061
152,680	209,834	1,915,234
-	-	2,835,556
-	-	110,321
-	-	37,501
-	-	44,971
-	1,498	1,498
-	1,498	3,029,847
-	-	45,859
-	-	93,470
-	650,601	650,601
-	136,618	136,618
-	333,079	333,079
15,888,870	-	15,888,870
-	143,589	143,589
-	852,433	852,433
-	-	547,581
-	-	99,719
-	-	41,750
-	-	172
-	-	38,310
-	-	75,268
-	-	7,212
-	-	215,056
-	-	360,351
-	-	142,758
-	-	3,629
-	-	6,651,051
15,888,870	2,116,320	26,327,376
$ 16,041,550	$ 2,327,652	$ 31,272,457

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

Total fund balance, governmental funds		$ 26,327,376
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		57,887,896
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 110,321	
Ambulance fees	44,971	
Court fines	37,501	
Grants	1,498	
		194,291
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Also, the loss on refunding of bonds and premium on issuance of bonds are not included in the funds. The details of these differences are as follows:		
Bonds payable	(30,765,000)	
Leases	(615,768)	
Deferred amount on refunding	177,088	
Issuance premium	(3,083,501)	
Retainage payable	(106,948)	
Accrued interest	(132,748)	
Compensated absences	(1,169,865)	
		(35,696,742)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	1,183,549	
Deferred inflow related to pensions	(2,943,613)	
Deferred outflow related to post employment benefits	103,891	
Deferred inflow related to post employment benefits	(43,798)	
Total OPEB liability	(493,760)	
Net pension liability	(673,812)	
		(2,867,543)
Net position of governmental activities in the statement of net position		$ 45,845,278

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	Debt Service
REVENUES		
Taxes	$ 17,304,942	$ 2,007,811
Fines and forfeitures	96,291	-
Licenses, permits and fees	707,602	-
Intergovernmental	5,880	-
Charges for services	565,353	-
Investment earnings	120,052	2,403
Miscellaneous	85,064	-
Total revenues	18,885,184	2,010,214
EXPENDITURES		
Current:		
General government:		
City manager	957,422	-
Finance	1,374,203	-
Marketing and communication	430,530	-
Human resources	468,273	-
City secretary	408,913	-
Maintenance	1,386,101	-
Information services	1,022,208	-
Public safety:		
Police	5,056,489	-
Fire	3,587,639	-
Community services	415,221	-
Streets and drainage	1,248,522	-
Parks and recreation	2,638,068	-
Debt service:		
Principal	114,023	2,075,000
Interest and other	3,572	912,192
Capital outlay	826,716	-
Total expenditures	19,937,900	2,987,192
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,052,716)	(976,978)
OTHER FINANCING SOURCES (USES)		
Transfers in	532,257	810,357
Transfers out	(16,000)	-
Leases issued	480,023	-
Refunding bonds issued	-	10,300,000
Premium of issuance on bonds	-	1,844,061
Payment to escrow agent	-	(12,021,946)
Sale of capital assets	16,165	-
Total other financing sources and uses	1,012,445	932,472
NET CHANGE IN FUND BALANCES	(40,271)	(44,506)
FUND BALANCES, BEGINNING	8,268,987	137,976
FUND BALANCES, ENDING	$ 8,228,716	$ 93,470

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ -	$ 1,730,003	$ 21,042,756
-	-	96,291
-	1,220,915	1,928,517
42,115	73,225	121,220
-	-	565,353
108,434	4,950	235,839
2,519	1,475	89,058
153,068	3,030,568	24,079,034
-	-	957,422
-	11,254	1,385,457
-	-	430,530
-	-	468,273
-	-	408,913
-	-	1,386,101
-	-	1,022,208
-	16,553	5,073,042
-	2,421	3,590,060
-	-	415,221
-	502,346	1,750,868
49,977	1,060,498	3,748,543
-	-	2,189,023
248,499	-	1,164,263
1,862,537	105,608	2,794,861
2,161,013	1,698,680	26,784,785
(2,007,945)	1,331,888	(2,705,751)
-	16,000	1,358,614
-	(872,614)	(888,614)
-	-	480,023
14,240,000	-	24,540,000
1,271,899	-	3,115,960
-	-	(12,021,946)
-	-	16,165
15,511,899	(856,614)	16,600,202
13,503,954	475,274	13,894,451
2,384,916	1,641,046	12,432,925
$ 15,888,870	$ 2,116,320	$ 26,327,376

CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances - total governmental funds:		$ 13,894,451
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 2,794,861	
Contributed capital assets	16,031	
Depreciation expense	(3,632,809)	
		(821,917)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	(484)	
Ambulance fees	(11,359)	
Court fines	13,296	
Park fees	(18,245)	
Grants	486	
		(16,306)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal portion of bonds, capital leases and tax notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Issuance of bonds	(25,811,899)	
Defeasance of refunded bonds	10,177,885	
Issuance of leases	(480,023)	
Payments on bonds	1,785,000	
Payments on leases	114,023	
Payment on tax notes	290,000	
		(13,925,014)
Certain pension and other postemployment benefits expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and other post employment benefits liability were amortized.		932,661
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(39,290)	
Retainage payable	(22,447)	
Accrued interest	(62,476)	
Amortization of deferred loss of refunding bonds	(31,207)	
Amortization of premium on bond issuances	188,735	
		33,315
Change in net position of governmental activities		$ 97,190

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2022
(With Comparative Totals as of September 30, 2021)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,997,842	$ 2,377,957
Accounts receivable, net	1,776,639	1,778,334
Other receivables	4,557	10,507
Inventories	244,637	270,771
Prepaid items	4,565	4,565
Restricted cash and investments:		
Reserve bond debt service	719,747	671,904
Capital improvements	1,036,706	2,518,504
Construction	1,292,225	1,207,251
Customer deposits	105,345	114,350
Total current assets	11,182,263	8,954,143
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	482,546	713,620
Depreciable capital assets, net of accumulated depreciation	13,896,116	14,373,542
Total capital assets	14,378,662	15,087,162
Total non-current assets	14,378,662	15,087,162
Total assets	25,560,925	24,041,305
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	70,169	42,095
Deferred outflows related to pensions	137,819	134,595
Deferred outflows related to other postemployment benefits	12,098	13,280
Total deferred outflows of resources	220,086	189,970

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2022
(With Comparative Totals as of September 30, 2021)

	2022	2021
LIABILITIES		
Current liabilities:		
Accounts payable	1,063,232	651,052
Accrued expenses	103,352	88,693
Accrued interest	35,878	37,659
Retainage payable	38,373	18,020
Customer deposits	105,345	114,350
Unearned revenue	2,590,596	2,065,048
Current portion of long-term obligations	900,094	1,051,271
Total OPEB Liability	905	632
Total current liabilities	4,837,775	4,026,725
Noncurrent liabilities:		
Net pension liability	78,461	384,084
Total OPEB liability	56,590	55,168
Noncurrent portion of long-term obligations	8,612,922	9,384,174
Total non-current liabilities	8,747,973	9,823,426
Total liabilities	13,585,748	13,850,151
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	12,603	14,567
Deferred inflows related to pensions	342,770	147,614
Deferred inflows related to other postemployment benefits	5,100	2,890
Total deferred inflows of resources	360,473	165,071
NET POSITION		
Net investment in capital assets	6,028,561	7,252,431
Restricted for capital projects	1,292,225	1,207,251
Unrestricted	4,514,004	1,756,371
Total net position	$ 11,834,790	$ 10,216,053

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Comparative Totals For the Year Ended September 30, 2021)

	2022	2021
REVENUES		
Charges for services	$ 10,722,176	$ 9,552,361
Total operating revenues	10,722,176	9,552,361
OPERATING EXPENSES		
Administration	471,219	422,324
Maintenance and operations	8,376,593	7,817,259
Depreciation	1,351,073	1,344,262
Total operating expenses	10,198,885	9,583,845
OPERATING INCOME (LOSS)	523,291	(31,484)
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	49,392	15,064
Intergovernmental grant revenue	1,547,662	-
Interest expense	(247,087)	(296,668)
Total non-operating revenues (expenses)	1,349,967	(281,604)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,873,258	(313,088)
Capital contributions - impact fees	215,479	284,173
Capital contributions - dedicated assets	-	915,169
Transfers out	(470,000)	(470,000)
CHANGE IN NET POSITION	1,618,737	416,254
TOTAL NET POSITION, BEGINNING	10,216,053	9,799,799
TOTAL NET POSITION, ENDING	$ 11,834,790	$ 10,216,053

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Comparative Totals For the Year Ended September 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 10,720,816	$ 9,420,731
Cash paid to suppliers for goods and services	(6,963,526)	(7,081,417)
Cash paid to employees for services	(1,539,917)	(1,482,222)
Net cash provided by operating activities	2,217,373	857,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from intergovernmental grants	2,073,210	-
Cash paid to other funds	-	63,549
Transfers to other funds	(470,000)	(470,000)
Net cash used for noncapital financing activities	1,603,210	(406,451)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of refunding bonds	3,518,993	-
Payment to refunding escrow agent	(3,482,063)	-
Acquisition and construction of capital assets	(622,220)	(562,528)
Principal paid on bonds	(960,000)	(915,000)
Capital contributions	215,479	2,349,221
Interest and other charges paid on debt	(278,265)	(313,711)
Net cash used by capital and related financing activities	(1,608,076)	557,982
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	49,392	15,064
Net cash provided by investing activities	49,392	15,064
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,261,899	1,023,687
CASH AND CASH EQUIVALENTS, BEGINNING	6,889,966	5,866,279
CASH AND CASH EQUIVALENTS, ENDING (Including $3,154,023 and $4,512,009 reported as restricted cash and investments)	$ 9,151,865	$ 6,889,966

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Comparative Totals For the Year Ended September 30, 2021)

	2022	2021
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 523,291	$(31,484)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,351,073	1,344,262
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	1,695	(121,111)
Other receivables	5,950	(894)
Inventories	26,134	(10,053)
Deferred outflow related to pensions	(3,224)	14,840
Deferred outflow related to OPEB	1,182	(1,886)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	412,180	(277,753)
Accrued liabilities	14,659	6,705
Customer deposits	(9,005)	(9,625)
Compensated absences	-	7,729
Other post employment benefits	1,695	11,193
Net pension liability	(305,623)	(49,047)
Deferred inflow related to pensions	195,156	(25,260)
Deferred inflow related to OPEB	2,210	(524)
Net cash provided by operating activities	$ 2,217,373	$ 857,092
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES		
Developer contributions of capital assets	$ -	$ 915,169

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985 and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Annual Comprehensive Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Fund – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost threshold by asset class and an estimated useful life in excess of four years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives and capitalization thresholds of capital asset classes are as follows:

Capital Asset Class	Capitalization Threshold	Useful Life (Years)
Land	$ 50,000	Indefinite
Infrastructure	250,000	20
Buildings and Improvements	100,000	30
Land Improvements	50,000	20
Machinery and equipment	5,000	5 - 10
Intangibles	5,000	5 - 10
Right to use equipment	5,000	5-10
Right to use building	5,000	30

Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days. Obligations under compensated absence arrangements are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The City is a lessee for noncancellable leases of equipment and buildings. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor. The City is a lessor in an arrangement allowing the placement of cellular towers on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and other post-employment benefit contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension and other post-employment benefit liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has several types of these items that are recorded under the full accrual basis of accounting as followed:

- It is the difference in expected and actual pension experience.

- The pension and OPEB difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- The deferred gain is amortized over the shorter of the life of the refunded or refunding debt.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended.

Investments held at year-end are as follows:

	Carrying Value	Weighted Average Maturity (Days)
TexPool	$ 3,010,736	14
TexStar	8,034,887	12
Total investments	$ 11,045,623	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), and TexPool, through which political subdivisions and other entities may invest public funds.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

TexPool and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's cash deposits in the bank on September 30, 2022, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor Governmental	Enterprise	Total
Receivables:					
Taxes	$ 1,140,074	$ 16,591	$ 286,998	$ -	$ 1,443,663
Accounts	620,989	-	-	1,194,908	1,815,897
Unbilled accounts	-	-	-	598,338	598,338
Leases	2,885,747	-	-	-	2,885,747
Other	-	-	13,220	4,557	17,777
Gross receivables	4,646,810	16,591	300,218	1,797,803	6,761,422
Less: allowance for uncollectibles	(501,197)	-	-	(16,607)	(517,804)
Net total receivables	$ 4,145,613	$ 16,591	$ 300,218	$ 1,781,196	$ 6,243,618

Lease Receivable

On October 1, 2021, the City entered into multiple leases as lessor for the placement of cellular antennas on City property by multiple telecommunications company. The lessees are required to make annual payments ranging from $34,136 to $37,391. Additionally, on October 1, 2021, the City entered into a lease as lessor for the use of City land by multiple telecommunications companies. The lessees are required to make monthly payments ranging from $2,000 to $2,281.

A summary of the City's lease receivables as of September 30, 2022, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Receivable	Interest Current Year	Reductions Current Year	Amounts Receivable 9/30/22
Right to Use:						
Antenna facilities	.74%-.99%	2007	$ 479,598	$ 1,309	$ 70,218	$ 409,380
Land	1.24%-1.74%	2018	2,516,813	38,305	40,446	2,476,367
Totals				$ 39,614	$ 110,664	$ 2,885,747

C. Unearned Revenue

Unearned revenue generally relates to cash received in advance of performance obligations being completed by the City. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General fund:	
Franchise taxes	$ 5,638
Park fees	3,007
Unspent grant funds	29,809
Total general fund	38,454
Nonmajor governmental fund:	
Parks fees	60,607
Total nonmajor governmental fund	60,607
Total governmental funds	$ 99,061

Additionally, the Water and Wastewater enterprise fund reported ending unearned revenue of $2,590,596 for grant funds received under the American Rescue Plan Act that will be spent in future years.

D. Interfund Transfers

The following is a summary of transfers for the current fiscal year:

	Transfers in			
Transfers out	General	Debt Service	Nonmajor Governmental	Total
General	$ -	$ -	$ 16,000	$ 16,000
Nonmajor governmental	62,257	810,357	-	872,614
Water and wastewater	470,000	-	-	470,000
	$ 532,257	$ 810,357	$ 16,000	$ 1,358,614

The purpose of transfers is as follows:

- The transfer to non-major governmental funds was for a drainage fee associated with impermeable square footage of public buildings.
- The transfer from the Nonmajor Governmental Fund to the Debt Service Fund is a for debt service payments made on behalf of the HVCDC.
- The transfer from Nonmajor Governmental Fund to the General Fund is for support services.
- The transfer from the Water and Wastewater Fund to the General Fund represents a payment in lieu of taxes.

E. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	1,316,355	1,956,708	(1,040,771)	2,232,292
Total assets not being depreciated	18,500,203	1,956,708	(1,040,771)	19,416,140
Capital assets, being depreciated:				
Land improvements	25,975,728	16,300	1,040,771	27,032,799
Buildings and improvements	15,996,042	62,357	-	16,058,399
Equipment	10,559,545	380,005	(85,038)	10,854,512
Infrastructure	44,603,102	-	-	44,603,102
Intangibles	537,690	-	-	537,690
Right to use equipment	249,768	114,667	-	364,435
Right to use building	-	365,356	-	365,356
Total capital assets being depreciated	97,921,875	938,685	955,733	99,816,293
Less accumulated depreciation:				
Land improvements	11,427,674	1,172,632	-	12,600,306
Buildings and improvements	10,932,048	505,921	-	11,437,969
Equipment	7,245,610	770,149	(85,038)	7,930,721
Infrastructure	27,727,652	1,044,624	-	28,772,276
Intangibles	463,782	68,219	-	532,001
Right to use equipment	-	66,276	-	66,276
Right to use building	-	4,988	-	4,988
Total accumulated depreciation	57,796,766	3,632,809	(85,038)	61,344,537
Total capital assets being depreciated, net	40,125,109	(2,694,124)	1,040,771	38,471,756
Governmental activities capital assets, net	$ 58,625,312	$(737,416)	$ -	$ 57,887,896

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	637,907	623,520	(854,594)	406,833
Total assets not being depreciated	713,620	623,520	(854,594)	482,546
Capital assets, being depreciated:				
Buildings	1,469,616	-	-	1,469,616
Improvements other than buildings	36,449,405	-	854,594	37,303,999
Equipment	2,231,190	19,053	-	2,250,243
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Total capital assets being depreciated	40,849,501	19,053	854,594	41,723,148
Less accumulated depreciation:				
Buildings	751,673	71,921	-	823,594
Improvements other than buildings	23,577,187	1,122,905	-	24,700,092
Equipment	1,455,798	155,632	-	1,611,430
Infrastructure	609,564	615	-	610,179
Intangibles	81,737	-	-	81,737
Total accumulated depreciation	26,475,959	1,351,073	-	27,827,032
Total capital assets being depreciated, net	14,373,542	(1,332,020)	854,594	13,896,116
Business-type activities capital assets, net	$ 15,087,162	$(708,500)	$ -	$ 14,378,662

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City manager	$ 993
Finance	6,946
Human resources	877
City secretary	2,839
Information Services	75,970
Marketing and Communications	19,944
Maintenance	11,998
Community services	6,381
Police	261,456
Fire	458,792
Streets and drainage	1,315,711
Park and recreation	1,470,902
Total depreciation expense - governmental activities	$ 3,632,809
Business-type activities:	
Water and wastewater	$ 1,351,073
Total depreciation expense - business-type activities	$ 1,351,073

F. Construction Commitments

The City has active construction projects as of September 30, 2022. At year-end the City's commitments with contractors are as follows:

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
KCS Pedestrian Tunnel	$ 17,042	$ 40,078
Highland Village Rd. Phase II-A	612,211	206,520
2018 Street Improvements	1,027,285	49,015
Victoria Park Sidewalk Improvements	105,024	32,638
Chapel Hill Sidewalk Improvements	32,650	264,742
Brazos Park Sidewalk	38,380	3,665
Facilities Upgrades Project	202,022	283,912
Street Reconstruction Highland Shores Blvd	62,760	1,440
2022 Street Improvements	129,200	249,800
Lion's Club Parking Lot	16,408	1,834
Sellmeyer/Doubletree Tennis Parking Lot	54,585	121,508
Highland Shores Crosswalk	16,100	9,400
Brazos/Highland Village Rd Signal	22,242	23,758
Doubletree Parking Lot Improvement	13,905	6,243
Business-type activities:		
12" Water Line Northwest of City	$ 96,151	$ 42,210
Lake Vista Well Lot and Facilities	105,225	41,505
Wastewater System Restoration Slope Protection	41,135	32,420
Edgewood Dr. Sewer Line Replacement	135,704	7,551
Sandero, Bexar, Victoria, Malibu, Wtr Lns	28,618	64,782

G. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are payable and pledged from the levy and collection of a direct and continuing annual ad valorem tax. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
General obligation refunding bonds - Direct Placement	2.28	2017	2029	2,435,000	$ 630,000
General obligation refunding and improvement bonds	3.00 - 4.00	2018	2038	6,905,000	6,035,000
General obligation refunding and improvement bonds	3.00 - 5.00	2021	2034	10,300,000	9,955,000
Total governmental activities					$ 16,620,000
Business-type activities:					
General obligation refunding bonds	2.00 - 3.00	2012	2024	4,565,000	$ 690,000
General obligation refunding bonds - Direct Placement	2.28	2017	2029	4,050,000	2,570,000
General obligation refunding and improvement bonds	3.00 - 5.00	2021	2034	2,915,000	2,890,000
Total business-type activities					6,150,000
Total general obligation bonds outstanding					$ 22,770,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2023	$ 1,200,000	$ 617,425	$ 355,000	$ 139,825
2024	1,270,000	560,250	360,000	128,850
2025	1,400,000	499,750	230,000	117,600
2026	1,465,000	434,525	240,000	105,850
2027	1,535,000	366,125	255,000	93,475
2028-2032	5,430,000	1,060,600	1,470,000	262,250
2033-2037	3,220,000	267,600	670,000	20,250
2038-2042	470,000	7,050	-	-
Total	$ 15,990,000	$ 3,813,325	$ 3,580,000	$ 868,100

General Obligation Bonds - Direct Placement

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2023	$ 310,000	$ 10,806	$ 320,000	$ 54,828
2024	320,000	3,640	320,000	47,548
2025	-	-	390,000	39,471
2026	-	-	395,000	30,542
2027	-	-	410,000	21,385
2028-2032	-	-	735,000	15,527
Total	$ 630,000	$ 14,446	$ 2,570,000	$ 209,301

Combination Tax and Revenue Certificates of Obligation

The City also issues bonds where the government pledges a combination of the levy and collection of a direct and continuing annual ad valorem tax plus a limited pledge ($2,500) of the net revenues from the Water and Sewer System to pay debt service. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities. Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue certificates of obligation	2.00 - 4.00	2021	2041	14,240,000	$ 14,145,000
Total governmental activities					$ 14,145,000
Business-type activities:					
Combination tax and revenue certificates of obligation	3.00 - 4.00	2018	2028	2,715,000	$ 2,525,000
Total business-type activities					2,525,000
Total certificates of obligation outstanding					$ 16,670,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Certificates of Obligation

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	$ 90,000	$ 399,990	$ 60,000	$ 82,056
2024	165,000	394,800	70,000	79,456
2025	250,000	386,500	135,000	75,356
2026	250,000	376,500	140,000	69,856
2027	260,000	366,300	145,000	64,156
2028-2032	3,985,000	1,434,200	820,000	239,831
2033-2037	4,865,000	694,600	950,000	105,906
2038-2042	4,280,000	173,200	205,000	3,203
Total	$ 14,145,000	$ 4,226,090	$ 2,525,000	$ 719,820

New Debt Issuances

In December 2021, the City issued its Combination Tax & Revenue Certificates of Obligation, Series 2021, in the amount of $14,240,000. The net proceeds of $15,263,400 (including a premium of $1,271,899 net of issuance costs of $248,499) will be used to fund certain capital projects including street improvements, drainage improvements, improving municipal park facilities and the acquisition of land and rights-of-way. The Certificates are pledged by ad valorem property tax revenues and a pledge of water and sewer system revenues not to exceed $2,500. The Certificates bear interest ranging from 2% to 4% per annum and mature in series from 2022 through 2041.

Current Refunding of Debt

In November 2021, the City issued General Obligation Refunding Bonds, 2021 in the amount of $13,215,000 for the purpose of refunding a portion of existing bonds at a present value savings. The bonds bear interest from 3% to 5% and mature in series from fiscal years 2022 through 2034.

The net proceeds of $15,504,008 were used to refund portions of multiple bonds totaling $15,305,000 which were called within 90 days of the refunding date and are now extinguished. The refunding transaction reduced the City's total debt service payments by $1,464,194 for an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,435,762. The reacquisition price exceeded the net carrying amount of the old debt by $235,818. This amount was recorded as a deferred loss on refunding and will be amortized over the remaining life of the refunded debt.

Defeased Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2022, the City does not have bonds considered defeased and outstanding.

H. Changes in Long-term Debt

Long-term debt activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 12,145,000	$ 10,300,000	$ 5,825,000	$ 16,620,000	$ 1,510,000
Combination tax and revenue CO	7,745,000	14,240,000	7,840,000	14,145,000	90,000
Tax note	290,000	-	290,000	-	-
Issuance premium	218,172	3,115,960	250,631	3,083,501	214,125
Total bonds payable	20,398,172	27,655,960	14,205,631	33,848,501	1,814,125
Compensated absences	1,130,575	1,011,053	971,763	1,169,865	1,005,534
Leases	249,768	480,023	114,023	615,768	65,097
Governmental activities long-term debt	$ 21,778,515	$ 29,147,036	$ 15,291,417	$ 35,634,134	$ 2,884,756

The General Fund has typically been used to liquidate governmental activities compensated absences, the net pension liability, and the total OPEB liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 3,900,000	$ 2,915,000	$ 665,000	$ 6,150,000	$ 675,000
Combination tax and revenue CO	6,245,000	-	3,720,000	2,525,000	60,000
Issuance premium	162,518	603,993	77,502	689,009	74,643
Total bonds payable	10,307,518	3,518,993	4,462,502	9,364,009	809,643
Compensated absences	127,927	98,735	77,655	149,007	90,451
Business-type activities long-term debt	$ 10,435,445	$ 3,617,728	$ 4,540,157	$ 9,513,016	$ 900,094

Additionally, certain obligations that were marketed as direct placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

Lease Payable

During the current year, the City entered into a 36-month lease as lessee for the right to use of copiers through HP, a 68-month lease as lessee for the right to use of fire medical equipment, a 60- month lease as lessee for the right to use camera accessories through Axon. The City is required to make a fixed monthly payment of $258, annual fixed payments of $53,203, semi-annual fixed payments of $55,767, and monthly variable payments of $1,666, respectively.

A summary of the governmental activities long-term lease payable as of September 30, 2022, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/22
Right to Use:					
Multifunctional printers	0.29%	2022	$ 9,236	$ 18	$ 6,676
Fire Department Medical Equipment	2.51%	2021	249,768	1,191	208,358
Camera Accessories	0.19%	2022	105,431	873	39,763
Animal Shelter Building	2.51%	2022	365,356	2,279	360,971
Totals				$ 4,361	$ 615,768

Annual lease payments to maturity are as follows:

Year Ending September 30,	Lease Payable		Total Requirements
	Principal	Interest	
2023	$ 65,097	$ 10,574	$ 75,671
2024	65,710	9,961	75,671
2025	63,753	9,341	73,094
2026	63,861	8,718	72,579
2027	54,505	8,090	62,595
2028 - 2032	65,902	34,067	99,969
2033 - 2037	74,716	25,254	99,970
2038 - 2042	84,708	15,262	99,970
2043 - 2047	77,516	4,126	81,642
Totals	$ 615,768	$ 125,393	$ 741,161

I. Retirement Plan

Plan Descriptions. The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive financial report (ACFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members have three payment options to determine how their lifetime monthly benefit will be paid. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms. At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	99
Inactive employees entitled to but not yet receiving benefits	126
Active employees	149
	374

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.72% and 13.98% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the years ended September 30, 2022 and September 30, 2021 were $1,543,894 and $1,464,895, respectively, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by weighting the expected return fir each major asset class by the respective target asset allocation percentage. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2020	$ 51,406,298	$ 47,723,798	$ 3,682,500
Changes for the year:			
Service cost	1,934,524	-	1,934,524
Interest	3,485,265	-	3,485,265
Difference between expected and actual experience	85,730	-	85,730
Contributions - employer	-	1,473,715	(1,473,715)
Contributions - employee	-	760,768	(760,768)
Net investment income	-	6,229,854	(6,229,854)
Benefit payments, including refunds of employee contributions	(1,479,996)	(1,479,996)	-
Administrative expense	-	(28,787)	28,787
Other changes	-	196	(196)
Net changes	4,025,523	6,955,750	(2,930,227)
Balance at 12/31/2021	$ 55,431,821	$ 54,679,548	$ 752,273

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 9,308,204	$ 752,273	$(6,185,886)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2022, the City recognized pension expense of $453,856. As of September 30, 2022, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 169,088	$ 93,351
Changes in actuarial assumptions	26,653	-
Difference between projected and actual investment earnings	-	3,193,032
Contributions subsequent to the measurement date	1,125,627	-
Totals	$ 1,321,368	$ 3,286,383

$1,125,627 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2023	$(526,377)
2024	(1,301,975)
2025	(660,592)
2026	(601,698)

J. Defined Other Post-Employment Benefit Plan – TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	23
Active employees	149
Total	230

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.17% for 2022 and 0.16% for 2021, of which 0.08% and 0.07%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2022 and 2021 were $18,792 and $17,068, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City's total OPEB liability of was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	1.84%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables.

The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 1.84% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.84%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	$ 675,958	$ 551,255	$ 454,125

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	$ 535,001
Changes for the year:	
Service cost	29,344
Interest	10,917
Difference between expected and actual experience	(33,522)
Changes of assumptions	17,123
Benefit payments	(7,608)
Net changes	16,254
Balance at 12/31/2021	$ 551,255

Changes in assumptions and other inputs reflect a change in the discount rate from 2.00% to 1.84%.

OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2022, the City recognized OPEB expense of $57,452. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

As of September 30, 2022, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 38,138
Changes in actuarial assumptions	109,468	10,760
Contributions subsequent to the measurement date	6,521	-
Totals	$ 115,989	$ 48,898

$6,521 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2023. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2023	$	17,193
2024		15,640
2025		14,378
2026		12,424
2027		1,283
Thereafter	(	348)

K. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of the said bonds to be payable from and secured by annual payments made by participating members. In the fiscal year 2022, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City paid fixed operations and maintenance costs of $423,500/MGD, $672,820/MGD for joint facilities, and $232,895 for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.25/1,000 gallons.

In the fiscal year 2022, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.25/1,000 gallons, with an annual demand charge of $465,055/MGD.

For the fiscal year 2023, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to paying fixed operations and maintenance costs of $444,275/MGD, facility charges of $656,125 for joint facilities, and $231,732 annually for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.30/1,000 gallons.

In the fiscal year 2023, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.40/1,000 gallons, with an annual demand charge of $472,195/MGD.

Encumbrances and Assignments of Fund Balance

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end, the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 984,225
Other governmental	779,281
Total	$ 1,763,506

Additionally, in accordance with budgetary policy, the City's adopted budget for the fiscal year beginning October 1, 2022, is presented as a balanced budget, i.e., revenues and available resources equal appropriations. These appropriations exceeded estimated revenues by $547,581, which is presented as assigned fund balance for subsequent year's budget in the General Fund.

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

L. New Accounting Standards

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 17,066,151	$ 17,066,151	$ 17,304,942	$ 238,791
Fines and forfeitures	88,000	88,000	96,291	8,291
Licenses, permits and fees	795,749	795,749	707,602	(88,147)
Intergovernmental	-	-	5,880	5,880
Charges for services	541,030	541,030	565,353	24,323
Investment earnings	40,000	40,000	120,052	80,052
Miscellaneous	262,350	262,350	85,064	(177,286)
Total revenues	18,793,280	18,793,280	18,885,184	91,904
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	375,452	395,452	392,597	2,855
Services and supplies	534,136	564,136	564,825	(689)
Total city manager	909,588	959,588	957,422	2,166
Finance:				
Personnel	897,457	897,457	911,150	(13,693)
Services and supplies	512,734	512,734	463,053	49,681
Total finance	1,410,191	1,410,191	1,374,203	35,988
Marketing and communication:				
Personnel	323,938	338,938	339,233	(295)
Services and supplies	107,186	117,186	91,297	25,889
Total Marketing and Communication	431,124	456,124	430,530	25,594
Human resources:				
Personnel	481,234	431,234	354,937	76,297
Services and supplies	166,348	166,348	113,336	53,012
Total human resources	647,582	597,582	468,273	129,309
City secretary:				
Personnel	247,744	267,744	269,290	(1,546)
Services and supplies	170,619	170,619	139,623	30,996
Total city secretary	418,363	438,363	408,913	29,450
Information services:				
Personnel	775,947	775,947	777,228	(1,281)
Services and supplies	344,872	344,872	244,980	99,892
Capital outlay	185,000	185,000	117,390	67,610
Total information services	1,305,819	1,305,819	1,139,598	166,221
Maintenance:				
Personnel	379,653	399,653	391,139	8,514
Services and supplies	880,295	1,030,295	994,962	35,333
Capital outlay	80,875	80,875	-	80,875
Total maintenance	1,340,823	1,510,823	1,386,101	124,722

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public safety:				
Police:				
Personnel	$ 4,873,785	$ 4,783,785	$ 4,688,497	$ 95,288
Services and supplies	482,806	482,806	367,992	114,814
Capital outlay	-	70,000	534,860	(464,860)
Total police	5,356,591	5,336,591	5,591,349	(254,758)
Fire:				
Personnel	2,870,526	2,920,526	2,867,506	53,020
Services and supplies	793,797	808,797	720,133	88,664
Total fire	3,664,323	3,729,323	3,587,639	141,684
Community services:				
Personnel	401,476	401,476	387,277	14,199
Services and supplies	26,518	36,518	27,944	8,574
Total building operations	427,994	437,994	415,221	22,773
Streets and drainage:				
Personnel	829,016	849,016	850,513	(1,497)
Services and supplies	756,662	756,662	398,009	358,653
Capital outlay	28,000	33,000	29,134	3,866
Total streets and drainage	1,613,678	1,638,678	1,277,656	361,022
Parks and recreation:				
Personnel	1,563,581	1,583,581	1,563,098	20,483
Services and supplies	1,286,796	1,306,796	1,074,970	231,826
Capital outlay	223,072	223,072	145,332	77,740
Total parks and recreation	3,073,449	3,113,449	2,783,400	330,049
Debt service:				
Principal	-	-	114,023	(114,023)
Interest and other charges	-	-	3,572	(3,572)
Total debt service	-	-	117,595	(117,595)
Total expenditures	20,599,525	20,934,525	19,937,900	996,625
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,806,245)	(2,141,245)	(1,052,716)	1,088,529
OTHER FINANCING SOURCES (USES)				
Transfers in	534,000	534,000	532,257	(1,743)
Transfers out	(16,000)	(16,000)	(16,000)	-
Leases issued	-	-	480,023	480,023
Sale of capital assets	-	-	16,165	16,165
Total other financing sources and uses	518,000	518,000	1,012,445	494,445
NET CHANGE IN FUND BALANCE	(1,288,245)	(1,623,245)	(40,271)	1,582,974
FUND BALANCE, BEGINNING	8,268,987	8,268,987	8,268,987	-
FUND BALANCE, ENDING	$ 6,980,742	$ 6,645,742	$ 8,228,716	$ 1,582,974

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BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds and the Debt Service Fund. The Capital Project Funds are appropriated on a project-length basis, except for the Park Development Fund, which is appropriated annually.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2022, expenditures exceed appropriation in the following fund, function, department and category:

Fund	Function/Department	Category	Amount
General	General Government - City Manager	Services and Supplies	$ 689
General	General Government - Finance	Personnel	13,693
General	General Government - Marketing and communication	Personnel	295
General	General Government - City Secretary	Personnel	1,546
General	General Government - Information Services	Personnel	1,281
General	Public Safety - Police	Capital Outlay	464,860
General	Streets and Drainage	Personnel	1,497
Public Safety	Public Safety	Services and Supplies	1,953

The overage related to Police Department capital outlay related to the implementation of GASB 87, *Leases,* which required a noncash recognition of capital outlays and an other financing source. Other overages were covered by cost savings in other categories or with greater than anticipated revenues.

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	**2014**	**2015**
A. Total pension liability		
Service Cost	$ 1,370,530	$ 1,535,928
Interest (on the Total Pension Liability)	1,983,761	2,177,527
Difference between expected and actual experience	(10,973)	(226,332)
Changes of assumptions	-	196,596
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Net change in total pension liability	2,692,726	3,018,466
Total pension liability - beginning	27,979,470	30,672,196
Total pension liability - ending (a)	$ 30,672,196	$ 33,690,662
B. Plan fiduciary net position		
Contributions - employer	$ 1,070,712	$ 1,187,926
Contributions - employee	588,766	625,694
Net investment income	1,407,343	39,833
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Administrative expense	(14,690)	(24,263)
Other	(1,208)	(1,197)
Net change in plan fiduciary net position	2,400,331	1,162,740
Plan fiduciary net position - beginning	24,595,321	26,995,652
Plan fiduciary net position - ending (b)	$ 26,995,652	$ 28,158,392
C. Net pension liability - ending (a) - (b)	$ 3,676,544	$ 5,532,270
D. Plan fiduciary net position as a percentage of total pension liability	88.01%	83.58%
E. Covered payroll	$ 8,410,947	$ 8,940,209
F. Net position liability as a percentage of covered payroll	43.71%	61.88%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 8 years are included and additional years will be added in the future as the information becomes available.

2016	2017	2018	2019	2020	2021
$ 1,646,661	$ 1,710,282	$ 1,767,329	$ 1,845,710	$ 1,952,526	$ 1,934,524
2,307,773	2,521,112	2,735,944	2,960,334	3,238,362	3,485,265
(95,490)	(173,461)	(171,841)	352,042	(150,374)	85,730
-	-	-	89,119	-	-
(649,521)	(810,836)	(996,678)	(1,095,988)	(1,267,369)	(1,479,996)
3,209,423	3,247,097	3,334,754	4,151,217	3,773,145	4,025,523
33,690,662	36,900,085	40,147,182	43,481,936	47,633,153	51,406,298
$ 36,900,085	$ 40,147,182	$ 43,481,936	$ 47,633,153	$ 51,406,298	$ 55,431,821
$ 1,229,404	$ 1,325,468	$ 1,367,635	$ 1,410,431	$ 1,491,855	$ 1,473,715
651,959	680,226	706,528	739,552	784,597	760,768
1,903,485	4,336,041	(1,102,494)	5,684,242	3,300,738	6,229,854
(649,521)	(810,836)	(996,678)	(1,095,988)	(1,267,369)	(1,479,996)
(21,492)	(22,461)	(21,292)	(32,086)	(21,335)	(28,787)
(1,158)	(1,138)	(1,112)	(964)	(832)	197
3,112,677	5,507,299	(47,412)	6,705,188	4,287,654	6,955,750
28,158,392	31,271,069	36,778,368	36,730,956	43,436,144	47,723,798
$ 31,271,069	$ 36,778,368	$ 36,730,956	$ 43,436,144	$ 47,723,798	$ 54,679,548
$ 5,629,016	$ 3,368,814	$ 6,750,980	$ 4,197,009	$ 3,682,500	$ 752,273
84.75%	91.61%	84.47%	91.19%	92.84%	98.64%
$ 9,313,695	$ 9,717,511	$ 10,093,257	$ 10,565,024	$ 11,208,528	$ 10,868,111
60.44%	34.67%	66.89%	39.73%	32.85%	6.92%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year Ended September 30,	**2014**	**2015**
Actuarial determined contribution	$ 1,049,673	$ 1,163,130
Contributions in relation to the actuarially determined contribution	1,049,673	1,163,130
Contribution deficiency (excess)	-	-
Covered payroll	8,329,839	8,859,846
Contributions as a percentage of covered payroll	12.60%	13.13%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 8 years are included and additional years will be added in the future as the information becomes available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information	There were no benefit change during this year.

2016	2017	2018	2019	2020	2021	2022
$ 1,258,570	$ 1,303,201	$ 1,362,529	$ 1,238,128	$ 1,427,239	$ 1,464,895	$ 1,543,894
1,258,570	1,303,201	1,362,529	1,238,128	1,427,239	1,464,895	1,543,894
-	-	-	-	-	-	-
9,517,623	9,628,107	10,031,460	9,235,981	10,715,294	10,859,779	11,235,379
13.22%	13.54%	13.58%	13.41%	13.32%	13.49%	13.74%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	**2017**	**2018**
A. Total OPEB liability		
Service Cost	$ 16,520	$ 20,187
Interest (on the Total OPEB Liability)	11,181	11,678
Difference between expected and actual experience	-	(3,782)
Changes of assumptions	29,489	(27,003)
Benefit payments, including refunds of employee contributions	(1,944)	(2,019)
Net change in Total OPEB liability	55,246	(939)
Total OPEB liability - beginning	288,493	343,739
Total OPEB liability - ending	$ 343,739	$ 342,800
B. Covered-employee payroll	$ 9,717,511	$ 10,093,257
C. Total OPEB liability as a percentage of covered-employee payroll	3.54%	3.40%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information. As of September 30, 2021, only 4 years are included and additional years will be added in the future as the information becomes available.

- Changes of assumptions generally includes the annual change in the municipal bond index rate.

2019	2020	2021
$ 17,961	$ 24,659	$ 29,344
13,012	12,195	10,917
(8,636)	(5,753)	(33,522)
69,216	73,902	17,123
(2,113)	(2,242)	(7,608)
89,440	102,761	16,254
342,800	432,240	535,001
$ 432,240	$ 535,001	$ 551,255
$ 10,565,024	$ 11,208,528	$ 10,868,111
4.09%	4.77%	5.07%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Corps Leased Parks Fund – This fund is used to account for the operations of Corp Leased Parks. Park admission and usage fees charged to patrons are committed to finance operations.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

Municipal Court Building Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Utility Drainage Fund – This fund is used to account for fees collected for the purpose of improving, upgrading and maintaining the City's drainage system. The City is mandated by the Texas Commission on Environmental Quality (TCEQ) to develop and maintain a Storm Water Management Plan in order to address capacity and quality issues and protect its residents and their properties from possible flooding and pollution problems. Drainage fees are collected by residents to fund the activities required to comply TCEQ regulations.

PEG Fee Fund – This fund is used to account for public, educational, and governmental (PEG) fees charged to cable users, which are restricted for the City's PEG channel.

Community Development Corporation – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

Park Development Fund – This fund accounts for development fees charged to property developers, which are committed for development and maintenance of City parks.

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
ASSETS			
Cash and investments	$ 854,613	$ 82,895	$ 44,110
Receivables:			
Taxes	-	-	-
Other	3,651	-	-
Due from other governments	-	1,498	-
Total assets	858,264	84,393	44,110
LIABILITIES			
Accounts payable	30,319	4,458	-
Accrued liabilities	6,246	1,471	-
Unearned revenue	51,667	-	-
Total liabilities	88,232	5,929	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - grants	-	1,498	-
Total deferred inflows of resources	-	1,498	-
FUND BALANCES			
Restricted for:			
Community development	-	-	-
Public safety - law enforcement operations	-	76,966	44,110
Utility drainage operations	-	-	-
Public broadcasting	-	-	-
Committed - park development and maintenance	770,032	-	-
Total fund balances	770,032	76,966	44,110
Total liabilities, deferred inflows of resources, and fund balances	$ 858,264	$ 84,393	$ 44,110

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ 15,542	$ 372,292	$ 135,510	$ 438,573	$ 82,401	$ 2,025,936
-	-	-	286,998	-	286,998
-	-	8,079	1,490	-	13,220
-	-	-	-	-	1,498
15,542	372,292	143,589	727,061	82,401	2,327,652
-	28,965	-	46,891	-	110,633
-	10,248	-	20,629	-	38,594
-	-	-	8,940	-	60,607
-	39,213	-	76,460	-	209,834
-	-	-	-	-	1,498
-	-	-	-	-	1,498
-	-	-	650,601	-	650,601
15,542	-	-	-	-	136,618
-	333,079	-	-	-	333,079
-	-	143,589	-	-	143,589
-	-	-	-	82,401	852,433
15,542	333,079	143,589	650,601	82,401	2,116,320
$ 15,542	$ 372,292	$ 143,589	$ 727,061	$ 82,401	$ 2,327,652

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
REVENUES			
Sales tax	$ -	$ -	$ -
Licenses, permits and fees	624,940	-	3,118
Intergovernmental	-	73,225	-
Investment earnings	20	-	-
Miscellaneous	-	-	-
Total revenues	624,960	73,225	3,118
EXPENDITURES			
Current:			
General government:			
Finance	-	-	-
Public safety:			
Police	-	16,553	-
Fire	-	2,421	-
Community services:			
Streets and drainage	-	-	-
Parks and recreation	416,202	-	-
Capital outlay	26,248	-	-
Total expenditures	442,450	18,974	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	182,510	54,251	3,118
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(18,257)	-
Total other financing sources and uses	-	(18,257)	-
NET CHANGE IN FUND BALANCES	182,510	35,994	3,118
FUND BALANCES, BEGINNING	587,522	40,972	40,992
FUND BALANCES, ENDING	$ 770,032	$ 76,966	$ 44,110

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ -	$ -	$ -	$ 1,730,003	$ -	$ 1,730,003
2,598	512,635	34,291	42,482	851	1,220,915
-	-	-	-	-	73,225
-	1,761	-	2,593	576	4,950
-	-	-	1,475	-	1,475
2,598	514,396	34,291	1,776,553	1,427	3,030,568
2,434	-	8,820	-	-	11,254
-	-	-	-	-	16,553
-	-	-	-	-	2,421
-	502,346	-	-	-	502,346
-	-	-	644,296	-	1,060,498
-	73,914	5,446	-	-	105,608
2,434	576,260	14,266	644,296	-	1,698,680
164	(61,864)	20,025	1,132,257	1,427	1,331,888
-	16,000	-	-	-	16,000
-	(16,000)	-	(838,357)	-	(872,614)
-	-	-	(838,357)	-	(856,614)
164	(61,864)	20,025	293,900	1,427	475,274
15,378	394,943	123,564	356,701	80,974	1,641,046
$ 15,542	$ 333,079	$ 143,589	$ 650,601	$ 82,401	$ 2,116,320

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 2,050,934	$ 2,050,934	$ 2,007,811	$(43,123)
Investment earnings	250	250	2,403	2,153
Total revenues	2,051,184	2,051,184	2,010,214	(40,970)
EXPENDITURES				
Debt service:				
Principal	2,310,000	2,310,000	2,075,000	235,000
Interest and other charges	536,291	706,291	912,192	(205,901)
Total expenditures	2,846,291	3,016,291	2,987,192	29,099
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(795,107)	(965,107)	(976,978)	(11,871)
OTHER FINANCING SOURCES (USES)				
Transfers in	810,357	810,357	810,357	-
Issuance of Bonds	-	120,000	10,300,000	10,180,000
Premium of issuance on bonds	-	-	1,844,061	1,844,061
Payment to escrow agent	-	-	(12,021,946)	(12,021,946)
Total other financing sources and uses	810,357	930,357	932,472	2,115
NET CHANGE IN FUND BALANCE	15,250	(34,750)	(44,506)	(9,756)
FUND BALANCE, BEGINNING	137,976	137,976	137,976	-
FUND BALANCE, ENDING	$ 153,226	$ 103,226	$ 93,470	$(9,756)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CORPS LEASED PARKS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 555,200	$ 555,200	$ 624,940	$ 69,740
Investment earnings	30	30	20	(10)
Total revenues	555,230	555,230	624,960	69,730
EXPENDITURES				
Parks and recreation:				
Personnel	218,925	230,925	229,467	1,458
Services and supplies	269,681	269,681	186,735	82,946
Capital outlay	115,900	115,900	26,248	89,652
Total expenditures	604,506	616,506	442,450	174,056
NET CHANGE IN FUND BALANCE	(49,276)	(61,276)	182,510	243,786
FUND BALANCE, BEGINNING	587,522	587,522	587,522	-
FUND BALANCE, ENDING	$ 538,246	$ 526,246	$ 770,032	$ 243,786

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 25,600	$ 39,100	$ 73,225	$ 34,125
Total revenues	25,600	39,100	73,225	34,125
EXPENDITURES				
Public safety:				
Police:				
Services and supplies	3,600	14,600	16,553	(1,953)
Fire:				
Services and supplies	-	2,500	2,421	79
Total expenditures	3,600	17,100	18,974	(1,874)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,000	22,000	54,251	32,251
OTHER FINANCING SOURCES (USES)				
Transfer out	(22,000)	(22,000)	(18,257)	3,743
Total other financing sources (uses)	(22,000)	(22,000)	(18,257)	3,743
NET CHANGE IN FUND BALANCE	-	-	35,994	35,994
FUND BALANCE, BEGINNING	40,972	40,972	40,972	-
FUND BALANCE, ENDING	$ 40,972	$ 40,972	$ 76,966	$ 35,994

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 2,800	$ 2,800	$ 3,118	$ 318
Total revenues	2,800	2,800	3,118	318
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	2,800	2,800	3,118	318
FUND BALANCE, BEGINNING	40,992	40,992	40,992	-
FUND BALANCE, ENDING	$ 43,792	$ 43,792	$ 44,110	$ 318

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 2,800	$ 2,800	$ 2,598	$(202)
Total revenues	2,800	2,800	2,598	(202)
EXPENDITURES				
General government:				
Services and supplies	3,836	3,836	2,434	1,402
Total expenditures	3,836	3,836	2,434	1,402
NET CHANGE IN FUND BALANCE	(1,036)	(1,036)	164	1,200
FUND BALANCE, BEGINNING	15,378	15,378	15,378	-
FUND BALANCE, ENDING	$ 14,342	$ 14,342	$ 15,542	$ 1,200

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY DRAINAGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 520,000	$ 520,000	$ 512,635	$(7,365)
Investment earnings	200	200	1,761	1,561
Total revenues	520,200	520,200	514,396	(5,804)
EXPENDITURES				
Street and drainage:				
Personnel	348,912	373,912	369,084	4,828
Services and supplies	153,635	153,635	133,262	20,373
Capital outlay	30,000	75,000	73,914	1,086
Total expenditures	532,547	602,547	576,260	26,287
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,347)	(82,347)	(61,864)	20,483
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	16,000	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(12,347)	(82,347)	(61,864)	20,483
FUND BALANCE, BEGINNING	394,943	394,943	394,943	-
FUND BALANCE, ENDING	$ 382,596	$ 312,596	$ 333,079	$ 20,483

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
PEG fees	$ 35,000	$ 35,000	$ 34,291	$(709)
Total revenues	35,000	35,000	34,291	(709)
EXPENDITURES				
General government:				
Services and supplies	11,000	11,000	8,820	2,180
Capital outlay	8,400	8,400	5,446	2,954
Total expenditures	19,400	19,400	14,266	5,134
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,600	15,600	20,025	4,425
NET CHANGE IN FUND BALANCE	15,600	15,600	20,025	4,425
FUND BALANCE, BEGINNING	123,564	123,564	123,564	-
FUND BALANCE, ENDING	$ 139,164	$ 139,164	$ 143,589	$ 4,425

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales tax	$ 1,560,000	$ 1,560,000	$ 1,730,003	$ 170,003
Licenses, permits and fees	59,000	59,000	42,482	(16,518)
Investment earnings	55	55	2,593	2,538
Miscellaneous	-	-	1,475	1,475
Total revenues	1,619,055	1,619,055	1,776,553	157,498
EXPENDITURES				
Parks and recreation:				
Personnel	321,333	321,333	308,473	12,860
Services and supplies	402,427	439,927	335,823	104,104
Capital outlay	17,281	17,281	-	17,281
Total expenditures	741,041	778,541	644,296	134,245
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	878,014	840,514	1,132,257	291,743
OTHER FINANCING SOURCES (USES)				
Transfer out	(838,357)	(838,357)	(838,357)	-
Total other financing sources (uses)	(838,357)	(838,357)	(838,357)	-
NET CHANGE IN FUND BALANCE	39,657	2,157	293,900	291,743
FUND BALANCE, BEGINNING	356,701	356,701	356,701	-
FUND BALANCE, ENDING	$ 396,358	$ 358,858	$ 650,601	$ 291,743

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Park development fees	$ -	$ -	$ 851	$ 851
Investment earnings	100	100	576	476
Total revenues	100	100	1,427	1,327
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	100	100	1,427	1,327
FUND BALANCE, BEGINNING	80,974	80,974	80,974	-
FUND BALANCE, ENDING	$ 81,074	$ 81,074	$ 82,401	$ 1,327

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENT FUNDS BY SOURCE

SEPTEMBER 30, 2022

GENERAL CAPITAL ASSETS	
Land	$ 17,183,848
Land improvements	27,032,799
Building and improvements	16,058,399
Equipment	10,854,512
Other capital assets	537,690
Infrastructure	44,603,102
Right to use equipment	364,435
Right to use building	365,356
Construction in progress	2,232,292
Total general capital assets	$ 119,232,433
INVESTMENT IN GENERAL CAPITAL ASSETS	
Investment in general capital assets acquired prior to October 1, 1990	$ 655,037
General fund	12,891,335
Vehicle replacement fund	670,674
Special revenue funds	23,889,955
Capital project funds	33,227,092
Donations	47,898,340
Total investment in general capital assets	$ 119,232,433

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2022

Department	Land	Land Improvements	Building Improvements	Equipment
City Manager	$ 430,747	$ -	$ 265,915	$ 54,276
Finance	26,651	-	412,718	489,717
Human Resources	8,812	-	113,185	-
City Secretary	41,479	-	511,673	-
Information services	-	-	-	501,944
Marketing and Communications	-	-	-	35,336
Police	214,495	93,641	2,765,228	2,247,401
Fire	41,800	19,796	4,445,595	3,514,031
Building Operations	8,927	-	142,993	53,340
Streets and Drainage	11,571,913	1,007,401	885,794	1,266,491
Maintenance	65,609	-	775,360	180,489
Drainage Operations	-	29,200	451,842	980,868
Parks and Recreation	4,773,415	25,882,761	5,288,096	1,530,619
Total general capital assets	$ 17,183,848	$ 27,032,799	$ 16,058,399	$ 10,854,512

Other Assets	Infrastructure	Right to Use Equipment	Right to Use Building	Construction in Progress	Total
$ -	$ -	$ -	-	$ -	$ 750,938
141,029	-	-	-	-	1,070,115
13,388	-	-	-	-	135,385
18,447	-	-	-	-	571,599
-	-	9,237	-	-	511,181
-	-	-	-	-	35,336
347,369	-	105,431	365,356	-	6,138,921
-	-	249,767	-	-	8,270,989
-	-	-	-	-	205,260
-	43,879,235	-	-	1,305,962	59,916,796
-	-	-	-	-	1,021,458
-	435,645	-	-	-	1,897,555
17,457	288,222	-	-	926,330	38,706,900
$ 537,690	$ 44,603,102	$ 364,435	$ 365,356	$ 2,232,292	$ 119,232,433

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Department	Balance September 30, 2021	Additions	Retirements / Transfers	Balance September 30, 2022
City manager	$ 750,938	$ -	$ -	$ 750,938
Finance	1,070,115	-	-	1,070,115
Human resources	135,385	-	-	135,385
City secretary	571,599	-	-	571,599
Information services	393,791	117,390	-	511,181
Marketing and communications	29,890	5,446	-	35,336
Police	5,642,556	534,860	38,495	6,138,921
Fire	8,021,221	249,768	-	8,270,989
Community services	205,260	-	-	205,260
Streets and drainage	58,715,584	1,228,222	27,010	59,916,796
Maintenance	1,021,458	-	-	1,021,458
Drainage operations	1,823,641	73,914	-	1,897,555
Parks and recreation	37,790,872	935,561	19,533	38,706,900
Total capital assets	$ 116,172,310	$ 3,145,161	$ 85,038	$ 119,232,433

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Highland Village, Texas' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

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Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	80
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	90
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	95
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	102
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	104

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF HIGHLAND VILLAGE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities:				
Net investment in capital assets	$ 38,572,424	$ 39,860,121	$ 40,160,271	$ 40,067,568
Restricted:				
Debt service	77,964	100,918	62,822	59,725
Community development	592,076	533,841	968,043	647,532
Public safety	92,018	94,120	84,158	78,495
Utility drainage	171,166	161,368	165,456	240,467
Public broadcasting	6,291	17,420	30,276	36,094
Capital projects	-	-	-	-
Unrestricted	3,906,066	3,931,056	2,210,827	2,005,564
Total governmental activities net position	$ 43,418,005	$ 44,698,844	# $ 43,681,853	$ 43,135,445
Business-type activities:				
Net investment in capital assets	$ 6,442,425	$ 6,325,308	$ 5,519,051	$ 6,738,242
Restricted:				
Capital projects	850,597	854,369	859,804	883,399
Unrestricted	3,594,106	3,142,581	2,830,311	2,030,254
Total business-type activities net position	$ 10,887,128	$ 10,322,258	# $ 9,209,166	$ 9,651,895
Primary government:				
Net investment in capital assets	$ 45,014,849	$ 46,185,429	# $ 45,679,332	$ 46,805,810
Restricted:				
Debt service	77,964	100,918	62,822	59,725
Community Development	592,076	533,841	968,043	647,532
Public safety	92,018	94,120	84,158	78,495
Utility drainage	171,166	161,368	165,456	240,467
Public broadcasting	6,291	17,420	30,276	36,094
Capital projects	850,597	854,369	859,804	883,399
Unrestricted	7,500,172	7,073,637	5,041,138	4,035,818
Total primary government net position	$ 54,305,133	$ 55,021,102	# $ 52,891,029	$ 52,787,340

Fiscal Year					
2017	2018	2019	2020	2021	2022
$ 40,453,356	$ 40,191,697	$ 41,212,165	$ 40,526,620	$ 40,488,662	$ 39,283,602
99,242	-	51,762	72,637	84,716	-
106,954	30,521	86,517	109,677	356,701	650,601
87,901	71,002	90,493	88,601	97,342	136,618
298,327	340,814	90,493	333,898	394,943	333,079
65,266	113,692	279,090	118,660	123,564	143,589
-	-	152,879	-	-	-
3,907,904	3,603,647	2,045,989	3,421,567	4,202,160	5,297,789
$ 45,018,950	$ 44,351,373	$ 43,918,895	$ 44,671,660	$ 45,748,088	$ 45,845,278
$ 6,603,211	$ 6,875,079	$ 6,592,993	$ 6,637,826	$ 7,252,431	$ 6,028,561
851,976	897,706	1,047,080	1,075,324	1,207,251	1,292,225
1,421,159	2,244,865	2,209,545	2,086,649	1,756,371	4,514,004
$ 8,876,346	$ 10,017,650	$ 9,849,618	$ 9,799,799	$ 10,216,053	$ 11,834,790
$ 47,056,567	# $ 47,066,776	$ 47,805,158	$ 47,164,446	$ 47,741,093	$ 45,312,163
99,242	-	51,762	72,637	84,716	-
106,954	30,521	86,517	109,677	356,701	650,601
87,901	71,002	90,493	88,601	97,342	136,618
298,327	340,814	279,090	333,898	394,943	333,079
65,266	113,692	152,879	118,660	123,564	143,589
851,976	897,706	1,047,080	1,075,324	1,207,251	1,292,225
5,329,063	5,848,512	4,255,534	5,508,216	5,958,531	9,811,793
$ 53,895,296	$ 54,369,023	$ 53,768,513	$ 54,471,459	$ 55,964,141	$ 57,680,068

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2013	2014	2015	2016
EXPENSES				
Governmental activities:				
General government	$ 4,012,367	$ 4,089,989	$ 4,330,662	$ 4,392,360
Public safety	6,220,099	6,361,961	6,848,781	7,782,368
Community services	386,807	389,300	415,562	446,470
Streets and drainage	2,554,759	3,157,921	2,546,268	2,826,584
Parks and recreation	3,059,741	3,199,066	3,199,678	3,534,661
Interest on long-term debt	766,603	887,123	836,051	699,315
Total governmental activities expenses	17,000,376	18,085,360	18,177,002	19,681,758
Business-type activities:				
Water and wastewater	7,782,455	8,530,306	8,525,158	8,500,825
Total business-type activities expenses	7,782,455	8,530,306	8,525,158	8,500,825
Total primary government program expenses	$ 24,782,831	$ 26,615,666	$ 26,702,160	$ 28,182,583
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 346,896	$ 349,821	$ 331,895	$ 283,062
Public safety	234,931	291,234	285,879	429,534
Community services	326,450	424,368	388,580	524,273
Streets and drainage	399,727	469,914	474,492	517,450
Parks and recreation	408,598	474,319	474,514	654,906
Operating grants and contributions	79,277	44,048	32,377	44,839
Capital grants and contributions	1,541,554	1,731,955	1,353,726	221,974
Total governmental activities program revenues	3,337,433	3,785,659	3,341,463	2,676,038
Business-type activities:				
Charges for services:				
Water and wastewater	8,486,005	8,101,643	7,888,614	8,011,036
Operating grants and contributions	-	-	-	-
Capital grants and contributions	79,560	148,467	104,191	911,608
Total business-type activities program revenues	8,565,565	8,250,110	7,992,805	8,922,644
Total primary government program revenues	$ 11,902,998	$ 12,035,769	$ 11,334,268	$ 11,598,682

TABLE 2

Fiscal Year					
2017	2018	2019	2020	2021	2022
$ 4,654,057	$ 5,648,223	$ 5,442,819	$ 5,312,238	$ 5,532,530	$ 6,029,386
7,850,784	7,915,283	8,591,670	8,772,628	8,432,376	8,899,370
495,494	499,071	469,914	498,662	467,764	374,687
2,953,293	2,956,194	3,139,410	2,857,021	3,046,868	3,026,367
3,740,883	4,099,709	4,520,227	4,939,557	4,577,551	5,052,548
605,867	719,953	694,525	641,904	586,607	1,069,211
20,300,378	21,838,433	22,858,656	23,022,010	22,643,696	24,451,569
8,698,522	9,195,566	9,226,804	9,247,141	9,880,513	10,445,972
8,698,522	9,195,566	9,226,804	9,247,141	9,880,513	10,445,972
$ 28,998,900	$ 31,033,999	$ 32,085,369	$ 32,269,151	$ 32,524,209	$ 34,897,541
$ 294,421	$ 300,258	$ 375,503	$ 281,485	$ 254,697	$ 316,520
527,165	539,212	564,324	572,373	550,275	580,343
770,577	468,954	405,907	319,158	374,704	369,116
495,438	503,839	501,797	508,950	517,494	512,635
724,620	818,946	775,852	900,259	742,041	797,758
126,776	92,883	34,894	959,705	113,234	76,636
235,846	65,314	125,493	141,007	776,828	61,101
3,174,843	2,789,406	2,783,770	3,682,937	3,329,273	2,714,109
8,224,755	10,036,132	9,112,051	9,439,260	9,552,361	10,722,176
-	-	-	-	-	1,547,662
141,554	686,042	273,105	164,859	1,199,342	215,479
8,366,309	10,722,174	9,385,156	9,604,119	10,751,703	12,485,317
$ 11,541,152	$ 13,511,580	$ 12,168,926	$ 13,287,056	$ 14,080,976	$ 15,199,426

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2013	2014	2015	2016
NET (EXPENSE) REVENUES				
Governmental activities	$(13,700,224)	$(14,299,701)	$(14,835,539)	$(17,005,720)
Business-type activities	766,821	(280,196)	(532,353)	421,819
Total primary government net expense	(12,933,403)	(14,579,897)	(15,367,892)	(16,583,901)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	9,336,875	9,726,985	10,220,940	10,876,727
Franchise	1,640,398	1,720,762	1,722,995	1,658,700
Sales	3,304,660	3,613,216	3,690,787	3,786,900
Unrestricted investment earnings	38,059	33,308	36,026	54,786
Miscellaneous	199,282	186,269	122,009	83,908
Transfers	300,000	300,000	300,000	(1,709)
Total governmental activities	14,819,274	15,580,540	16,092,757	16,459,312
Business-type activities:				
Unrestricted investment earnings	12,142	15,326	17,104	19,201
Transfers	(300,000)	(300,000)	(300,000)	1,709
Total business-type activities	(287,858)	(284,674)	(282,896)	20,910
Total primary government	14,531,416	15,295,866	15,809,861	16,480,222
CHANGE IN NET POSITION				
Governmental activities	1,119,050	1,280,839	1,257,218	(546,408)
Business-type activities	478,963	(564,870)	(815,249)	442,729
Total primary government	$ 1,598,013	$ 715,969	$ 441,969	$(103,679)

TABLE 2

Fiscal Year					
2017	2018	2019	2020	2021	2022
$(17,125,535)	$(19,049,027)	$(20,074,795)	$(19,339,073)	$(19,314,423)	$(21,737,460)
(332,213)	1,526,608	158,352	356,978	871,190	2,039,345
(17,457,748)	(17,522,419)	19,916,443	(18,982,095)	(18,443,233)	(19,698,115)
11,601,454	12,126,314	12,697,424	13,332,678	13,552,545	14,062,081
1,626,903	1,699,608	1,585,246	1,522,345	1,513,527	1,617,664
3,830,637	3,915,696	4,285,659	4,258,100	4,732,971	5,362,527
81,049	269,069	410,525	205,714	38,718	235,839
1,398,997	153,919	193,463	303,001	83,090	86,539
470,000	470,000	470,000	470,000	470,000	470,000
19,009,040	18,634,606	19,642,317	20,091,838	20,390,851	21,834,650
26,664	84,696	143,616	63,203	15,064	49,392
(470,000)	(470,000)	(470,000)	(470,000)	(470,000)	(470,000)
(443,336)	(385,304)	(326,384)	(406,797)	(454,936)	(420,608)
18,565,704	18,249,302	19,315,933	19,685,041	19,935,915	21,414,042
1,883,505	(414,421)	(432,478)	752,765	1,076,428	97,190
(775,549)	1,141,304	(168,032)	(49,819)	416,254	1,618,737
$ 1,107,956	$ 726,883	$(600,510)	$ 702,946	$ 1,492,682	$ 1,715,927

CITY OF HIGHLAND VILLAGE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable - prepaid items	$ 7,319	$ 1,176	$ 449	$ 251,748
Assigned	151,582	185,104	865,468	1,270,558
Unassigned	4,442,650	4,357,319	4,207,414	3,933,919
Total general fund	$ 4,601,551	$ 4,543,599	$ 5,073,331	$ 5,456,225
All other governmental funds				
Nonspendable - prepaid items	$ -	$ -	$ -	$ -
Restricted, for the purpose of:				
Debt service	160,157	168,040	154,343	141,058
Community development	1,820,252	8,056,884	2,349,085	751,846
Public safety	92,018	94,120	84,158	78,495
Utility drainage	171,166	161,368	165,456	240,467
Capital projects	785,227	641,828	392,061	438,834
Public Broadcasting	6,291	17,420	30,276	36,094
Committed - parks	86,178	106,705	120,422	262,224
Total all other governmental funds	$ 3,121,289	$ 9,246,365	$ 3,295,801	$ 1,949,018

Fiscal Year					
2017	2018	2019	2020	2021	2022
$ 1,250	$ 99,008	$ 273,288	$ 75,193	$ 60,030	$ 45,859
2,142,128	2,011,564	1,829,514	2,042,788	2,031,671	1,530,806
5,248,582	5,440,353	4,552,543	5,834,619	6,177,286	6,651,051
$ 7,391,960	$ 7,550,925	$ 6,655,345	$ 7,952,600	$ 8,268,987	$ 8,228,716
$ -	$ -	$ 26,205	$ -	$ -	$ -
161,180	159,489	118,266	126,236	137,976	93,470
106,954	30,521	86,517	109,677	356,701	650,601
87,901	71,002	90,493	88,601	97,342	136,618
298,327	340,814	279,090	333,898	394,943	333,079
45,662	6,865,552	5,313,584	3,222,762	2,384,916	15,888,870
65,266	113,692	152,879	118,660	123,564	143,589
501,093	263,469	271,466	486,084	668,496	852,433
$ 1,266,383	$ 7,844,539	$ 6,338,500	$ 4,485,918	$ 4,163,938	$ 18,098,660

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2013	2014	2015	2016
REVENUES				
Taxes	$ 14,271,269	$ 15,066,221	$ 15,625,989	$ 16,308,934
Fines and forfeitures	170,442	158,183	124,932	99,082
Licenses, permits, fees	1,414,988	1,600,992	1,565,929	1,916,752
Intergovernmental	1,620,831	1,651,123	1,435,235	310,519
Charges for services	206,460	252,168	253,851	391,627
Investment earnings	54,003	33,308	36,026	54,786
Miscellaneous	199,282	186,269	122,009	114,448
Total revenues	17,937,275	18,948,264	18,948,264	19,196,148
EXPENDITURES				
General government	3,821,447	3,862,314	4,137,117	4,135,129
Public safety	5,563,505	5,726,860	6,212,042	6,952,405
Building operations	-	-	-	-
Community service	373,690	378,626	401,541	430,163
Streets and drainage	1,359,195	1,936,985	1,352,770	1,589,676
Parks and recreation	2,354,526	2,415,834	2,378,196	2,626,904
Debt service:				
Principal	1,735,000	1,815,000	1,955,000	2,176,616
Interest and other	794,461	888,597	863,286	716,472
Capital outlay	5,409,475	3,223,116	8,218,357	3,868,574
Total expenditures	21,411,299	20,247,332	25,518,309	22,495,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(3,474,024)	$(1,299,068)	$(6,354,338)	$(3,299,791)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	7,020,000	-	9,235,000
Proceeds from leases	-	-	633,506	250,780
Premium on debt issuance	-	46,192	-	-
Proceeds from sale capital assets	-	-	-	-
Payments to escrow account	-	-	-	(7,619,878)
Transfers in	1,268,715	1,235,142	1,283,905	2,290,168
Transfers out	(968,715)	(935,142)	(983,905)	(1,820,168)
Total other financing sources (uses)	300,000	7,366,192	933,506	2,335,902
NET CHANGE IN FUND BALANCES	$(3,174,024)	$ 6,067,124	$(5,420,832)	$(963,889)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	15.8%	15.9%	16.6%	15.6%

TABLE 4

Fiscal Year					
2017	2018	2019	2020	2021	2022
$ 17,060,166	$ 17,714,340	$ 18,557,768	$ 19,066,421	$ 19,848,434	$ 21,042,756
98,699	109,420	106,281	88,543	76,646	96,291
2,219,095	2,027,847	1,951,587	1,960,801	1,858,505	1,928,517
387,946	139,430	185,872	1,100,712	184,451	121,220
485,553	493,590	539,265	523,347	510,796	565,353
81,049	269,069	410,525	205,714	38,718	235,839
1,398,997	153,919	193,463	303,001	83,090	89,058
21,731,505	20,907,615	21,944,761	23,248,539	22,600,640	24,079,034
4,337,308	5,456,729	5,089,032	5,175,479	5,495,620	6,058,904
6,890,116	7,181,646	7,560,441	7,910,089	7,999,469	8,663,102
-	-	-	-	-	-
455,266	481,472	435,063	494,206	469,944	415,221
1,695,038	1,739,093	1,880,112	1,617,077	1,771,475	1,750,868
2,558,767	2,831,487	3,146,751	3,514,488	3,222,625	3,748,543
2,263,592	2,118,875	2,060,203	2,200,000	2,250,000	2,189,023
650,698	602,713	806,576	648,114	593,000	1,164,263
2,127,620	1,307,067	3,838,232	2,794,537	1,274,100	2,794,861
20,978,405	21,719,082	24,816,380	24,353,990	23,076,233	26,784,785
$ 753,100	$(811,467)	(2,871,619)	$(1,105,451)	$(475,593)	$(2,705,751)
2,435,000	6,905,000	-	-	-	24,540,000
-	-	-	-	-	480,023
-	-	-	-	-	3,115,960
-	-	-	80,124	-	16,165
(2,405,000)	173,588	-	-	-	(12,021,946)
2,005,329	1,462,380	1,418,615	1,732,905	1,438,662	1,358,614
(1,535,329)	(992,380)	(948,615)	(1,262,905)	(968,662)	(888,614)
500,000	7,548,588	-	550,124	470,000	16,600,202
$ 1,253,100	$ 6,737,121	$(2,401,619)	$(555,327)	$(5,593)	$ 13,894,451
15.1%	13.3%	13.7%	13.2%	13.0%	14.0%

CITY OF HIGHLAND VILLAGE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	Less: Tax-exempt Property
	Residential Property	Commercial Property		
2013	$ 1,411,883,987	$ 254,483,493	$ 58,492,381	$ 89,119,649
2014	1,461,181,835	263,597,977	60,771,959	90,906,933
2015	1,564,231,925	278,425,113	60,243,887	105,428,441
2016	1,649,565,971	313,545,655	64,490,237	106,266,234
2017	1,760,795,273	312,423,960	63,604,815	120,818,328
2018	1,890,908,720	343,451,978	64,741,269	162,929,317
2019	1,999,631,975	355,044,705	57,843,048	157,124,400
2020	2,073,752,984	385,732,416	63,879,965	165,516,748
2021	2,142,438,774	386,823,420	67,379,496	169,090,538
2022	2,275,429,086	374,330,981	67,886,461	189,221,801

Source: Denton County Appraisal District

Note: Estimated total levy is calculated by multiplying the net taxable assessed value by the total direct tax rate per $100 of net taxable assessed value.

Residential: single family, vacant lots, acreage, and farm/ranch and personal.

Commercial: real commercial, personal industrial and utilities.

Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Total Levy
$ 1,635,740,212	0.56963	$ 9,317,667
1,694,644,838	0.56963	9,653,205
1,797,472,484	0.56963	10,238,943
1,921,335,629	0.56963	10,944,504
2,016,005,720	0.56963	11,483,773
2,136,172,650	0.56802	12,133,888
2,255,395,328	0.56302	12,698,327
2,357,848,617	0.56302	13,275,159
2,427,551,152	0.56302	13,667,598
2,528,424,727	0.56302	14,235,537

TABLE 6

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	Debt Service Rate	Total Direct Rate	Lewisville Independent School District	Denton County
2013	0.46983	0.09980	0.56963	1.45300	0.28287
2014	0.46129	0.10834	0.56963	1.47700	0.28491
2015	0.46999	0.09964	0.56963	1.47700	0.27220
2016	0.47817	0.09146	0.56963	1.47673	0.26220
2017	0.48279	0.08684	0.56963	1.42000	0.24840
2018	0.49706	0.07096	0.56802	1.40750	0.23781
2019	0.47979	0.08323	0.56302	1.40750	0.22557
2020	0.47649	0.08653	0.56302	1.33750	0.22528
2021	0.47813	0.08489	0.56302	1.34730	0.22499
2022	0.48264	0.08039	0.56302	1.30850	0.23309

Source: Denton County Tax Collector's Office
Lewisville Independent School District Budget Office

Note: A typical property tax bill would consist of the City, School District and County taxes.

TABLE 7

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2022		2013	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value**
MP Shops at Highland Village, LLC	$ 72,000,000	2.848%	$ -	-
DDR Highland Village, LP	43,500,000	1.720%	-	-
120 Main HV Owner, LP	38,279,566	1.514%	-	-
Wal-Mart Stores Texas, LP	16,568,627	0.655%	-	-
PS LPT Property Investors	12,700,000	0.502%	-	-
ADV Highland Village Property Owner, LLC	11,369,265	0.450%	-	-
Centro NP Holdings 12 SPE, LLC	11,190,000	0.443%	-	-
Barnett Healthcare Prop, LLC	7,709,000	0.305%	-	-
CoServ Elecrtric Co-Op	7,192,100	0.284%	-	-
Wal-Mart Stores Texas, LP	6,534,797	0.258%	-	-
Shops at Highland Village Dev., LTD	-	-	55,000,000	3.362%
Opus Real Estate TX VII HV, LP	-	-	31,297,668	1.913%
Wal-Mart Stores Texas, LP	-	-	17,531,612	1.072%
Centro NP Holdings 12 SPE, LLC	-	-	9,073,749	0.555%
Wal-Mart Stores Texas, LP	-	-	8,061,905	0.493%
Barnett Healthcare Prop, LLC	-	-	7,950,000	0.486%
HHSG, LLC	-	-	7,663,864	0.469%
A-1 Storage, LTD	-	-	6,107,431	0.373%
CoServ Elecrtric Co-Op	-	-	5,311,370	0.325%
HSM Highland Point S/C. LTD	-	-	5,023,341	0.307%
Total	$ 227,043,355	8.979%	$ 153,020,940	9.355%

Source: Denton county Appraisal District

Notes:

* Total taxable value including real and personal property for tax year 2021 (fiscal year 2021) is $2,528,424,727

** Total taxable value including real and personal property for tax year 2012 (fiscal year 2013) is $1,635,740,212

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TABLE 8

CITY OF HIGHLAND VILLAGE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	$ 9,315,832	$ 9,293,267	99.76%	$ 20,623	$ 9,313,890	99.98%
2014	9,697,513	9,672,999	99.75%	22,001	9,695,000	99.97%
2015	10,201,729	10,176,515	99.75%	18,751	10,195,266	99.94%
2016	10,853,080	10,824,025	99.73%	23,634	10,847,659	99.95%
2017	11,572,279	11,546,650	99.78%	19,452	11,566,102	99.95%
2018	12,140,133	12,099,984	99.67%	33,870	12,133,854	99.95%
2019	12,691,161	12,640,013	99.60%	42,318	12,682,331	99.93%
2020	13,298,601	13,216,040	99.38%	50,877	13,266,917	99.76%
2021	13,513,137	13,460,984	99.61%	(5,789)	13,460,984	99.61%
2022	14,061,893	14,016,319	99.68%	-	14,016,319	99.68%

Sources: Denton County appraisal District and Denton County Tax office.

Notes: Tax levy includes adjustments and supplements made to the property roll during the fiscal year. Delinquent collections do not include penalty and interest.

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Tax Note
2013	$ 11,865,589	$ 8,644,049	$ -	$ -
2014	10,880,294	15,080,339	-	-
2015	9,768,359	14,319,664	503,506	-
2016	9,547,809	12,683,991	632,670	1,535,000
2017	10,789,888	9,511,276	384,078	1,420,000
2018	16,395,133	9,354,426	130,202	1,145,000
2019	15,208,189	8,852,574	-	865,000
2020	13,771,244	8,335,723	-	580,000
2021	12,299,301	7,808,871	-	290,000
2022	18,479,298	15,369,203	-	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities					
General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Total Primary Government	Percentage of Personal Income*	Per Capita*
$ 4,771,815	$ 5,030,763	$ -	$ 30,312,216	4.47%	$ 1,979
4,373,046	9,345,362	-	39,679,041	5.31%	2,572
3,726,715	9,097,385	-	37,415,629	4.77%	2,351
3,070,385	8,839,408	-	36,309,263	4.50%	2,290
6,451,947	4,554,089	-	33,111,278	3.87%	2,068
5,854,297	7,160,379	-	40,039,437	4.54%	2,487
5,140,647	6,933,977	-	37,000,387	3.99%	2,237
4,603,996	6,647,575	-	33,938,538	3.46%	2,036
3,961,346	6,346,172	-	30,705,690	3.16%	1,860
6,753,971	2,610,038	-	43,212,510	4.23%	2,592

TABLE 10

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	Certificate of Obligation Bonds	General Bonded Debt Outstanding	Less Debt Service Resources Available	Net General Bonded Debt Outstanding	Percentage of Net Taxable Value of Property	Per Capita
2013	$ 16,637,404	$ 13,674,812	$ 30,312,216	$ 160,157	$ 30,152,059	1.84%	1,969
2014	15,253,340	24,425,701	39,679,041	168,040	39,511,001	2.33%	2,561
2015	13,495,074	23,417,049	36,912,123	154,343	36,757,780	2.04%	2,310
2016	12,618,194	21,523,399	34,141,593	59,725	34,081,868	1.77%	2,149
2017	17,241,835	14,065,365	31,307,200	99,242	31,207,958	1.55%	1,949
2018	22,249,430	16,514,805	38,764,235	-	38,764,235	1.81%	2,408
2019	20,348,836	15,786,551	36,135,387	51,762	36,083,625	1.60%	2,182
2020	18,375,240	14,983,298	33,358,538	72,637	33,285,901	1.41%	1,997
2021	16,260,647	14,155,043	30,415,690	84,716	30,330,974	1.25%	1,838
2022	25,233,269	17,979,241	43,212,510	-	43,212,510	1.71%	2,592

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

See Table 14 for population data.

TABLE 11

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2022

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
County of Denton	$ 559,930,000	1.900%	$ 10,638,670
Lewisville Independent School District	1,204,815,000	4.990%	60,120,269
Subtotal overlapping debt			70,758,939
City of Highland Village (direct debt)	33,848,501	100.0%	33,848,501
Total direct and overlapping debt			$ 104,607,440

Sources: Assessed value data used to estimate applicable percentages provided by the Denton County Appraisal District. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Highland Village, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF HIGHLAND VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2013	2014	2015	2016
Debt limit	$ 40,893,505	$ 42,366,121	$ 44,936,812	$ 48,033,391
Total net debt applicable to limit	2,369,304	2,478,463	2,842,629	2,495,691
Legal debt margin	$ 38,524,201	$ 39,887,658	$ 42,094,183	$ 45,537,700
Total net debt applicable to the limit as a percentage of debt limit.	5.79%	5.85%	6.33%	5.20%

Note:

According to The State of Texas Constitution, Article 11, Section 5, provides in part that, "…no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such city." As a home rule city, the City of Highland Village is not limited in the amount of debt it may issue.

TABLE 12

Assessed value	$ 2,528,424,727
Debt limit ($2.50 per $100 of assessed value)	63,210,618
Debt applicable to limit:	
Tax supported debt	2,868,360
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	2,868,360
Legal debt margin	$ 60,342,258

Fiscal Year					
2017	2018	2019	2020	2021	2022
$ 50,400,143	$ 53,404,316	$ 56,384,883	$ 58,946,215	$ 60,688,779	$ 63,210,618
2,524,780	2,386,534	2,679,188	2,772,846	2,755,352	2,868,360
$ 47,875,363	$ 51,017,782	$ 53,705,695	$ 56,173,369	$ 57,933,427	$ 60,342,258
5.01%	4.47%	4.75%	4.70%	4.54%	4.54%

TABLE 13

CITY OF HIGHLAND VILLAGE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water and Wastewater System Revenue Bonds						
		Less:	Net	Debt Service			
Fiscal Year	Total Revenues	Operating Expenses	Available Revenue	Principal	Interest	Total	Coverage
2013	$ 8,498,147	$ 6,642,770	$ 1,855,377	$ 800,000	$ 347,277	$ 1,147,277	1.62
2014	8,116,969	7,284,308	832,661	840,000	398,349	1,238,349	0.67
2015	7,905,718	7,266,680	639,038	860,000	424,163	1,284,163	0.50
2016	8,030,237	7,271,123	759,114	880,000	402,788	1,282,788	0.59
2017	8,251,419	7,503,415	748,004	905,000	332,284	1,237,284	0.60
2018	10,120,828	8,020,025	2,100,803	790,000	286,878	1,076,878	1.95
2019	9,255,667	7,154,348	2,101,319	815,000	401,814	1,216,814	1.73
2020	9,502,463	7,271,982	2,230,481	890,000	336,414	1,226,414	1.82
2021	9,567,425	8,709,583	857,842	915,000	313,139	1,228,139	0.70
2022	10,771,568	8,709,583	2,061,985	960,000	260,859	1,220,859	1.69

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues do not include capital contributions. Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF HIGHLAND VILLAGE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2013	15,315	$ 677,964,420	$ 44,268	5.4%
2014	15,429	747,797,343	48,467	4.2%
2015	15,915	784,959,630	49,322	3.4%
2016	15,859	807,096,228	50,892	3.6%
2017	16,012	855,857,412	53,451	3.1%
2018	16,100	881,539,400	54,754	3.1%
2019	16,537	926,369,666	56,018	2.8%
2020	16,668	980,511,768	58,826	6.6%
2021	16,504	970,864,304	58,826	3.9%
2022	16,670	1,022,137,720	61,316	3.0%

Source: U. S. Census Bureau
Texas Workforce Commission
Bureau of Economic Analysis

Note: Population estimates are based on residential sewer connections.

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2022	2013
Employer	Employees	Employees
ExcelWipe, LLC	250-499	-
City of Highland Village	100-249	100-249
Lewisville Independent School District	100-249	100-249
Walmart Supercenter	100-249	50-99
Whole Foods Stores	100-249	-
AMC Highland Village 12	50-99	100-249
Excite Gymnastics & Cheer	50-99	-
Golden Chick	50-99	-
Hillside Grill	50-99	-
Home Instead Senior Care	50-99	50-99
Re/Max Cross Country	50-99	50-99
Rosa's Care & Tortilla Factory	50-99	50-99
TJ Maxx	50-99	50-99
Delta Dental	-	50-99
Ihop Restaurant	-	50-99
Kroger	-	100-249
Patrizio's Restaurant	-	50-99

Source: Texas Workforce Commission

Note: The source of data is legally prevented from obtaining and disclosing the number of employees of specific employers. Accordingly, the number of employees are displayed within a range.

TABLE 16

CITY OF HIGHLAND VILLAGE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government										
City manager	2	2	2	2	2	2	2	2	2	2
Finance	13	13	11	11	10	10	10	11	8	8
Human resources	3	3	3	3	3	3	3	3	3	3
City secretary	2	2	2	2	2	2	2	1	2	2
Information Services	-	4	4	6	7	7	7	7	7	7
Marketing and communications	-	-	-	-	-	-	-	-	3	3
City Attorney	-	-	-	-	-	-	-	-	-	-
Maintenance	4	4	4	4	4	4	4	4	4	4
Public safety										
Police	39	41	44	46	45	45	46	46	46	46
Fire	18	18	19	22	22	22	22	22	22	22
Community services	5	5	5	5	4	4	4	5	4	4
Streets and drainage	15	15	15	14	15	15	15	14	15	15
Parks and recreation	17	17	17	17	17	17	18	18	18	18
Water and wastewater	18	18	18	19	19	19	19	19	19	19
Highland Village Community Development Corporation	2	2	3	3	3	4	4	4	4	4
Total	138	144	147	154	153	154	156	156	157	157

Source:

Notes: A fulltime employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2013	2014	2015
General government			
Open records requests processed	220	240	224
Court cases filed	2,284	1,962	1,524
Employee turnover (%)	11.70%	10.70%	7.50%
Emp safety lost time injuries	1	2	-
Technical support tickets closed			1,046
Community Service			
Permits issued	1,424	1,466	1,343
Inspections performed	2,923	2,889	2,946
Police			
Reported offenses	227	262	306
Arrests	255	271	281
Service	5,884	4,928	5,164
Close patrols	7,174	12,492	8,259
Traffic citations issued	2,119	2,221	1,716
Traffic warnings issued	2,622	3,008	2,841
Motor vehicle accidents	194	204	162
Animal impounds	*	230	172
Animal care calls	*	1,554	687
Animal registrations	*	907	690
Fire			
EMS calls	568	591	601
Fires calls	350	457	493
Streets and Drainage			
Drainage materials (ft.)	*	*	*
Asphalt (tons)	316	157	426
Concrete(yards)	406	197	270
Cold patch (lbs)	600	900	3,575
Crack seal (lbs)	-	-	125
Paint (gal)	140	156	20
Sod replacement (yards)	329	250	25
Saw cuttings (ft.)	11,996	28,334	17,832
Spoils (yards)	3,402	404	961
Sign Repairs (hours)	196	98	48
Work orders completed (Maintenance)	1,860	1,903	1,837
Total fuel consumption	59,415	60,448	55,897
Parks and recreation			
Acres of turf mowed	11,448	4,931	*
Parks turf maintenance (hours)			
Park maintenance (hours)	6,525	*	24,012
Bags of trash disposed (55 gal)	7,200	6,160	8,260
Trash removal (hours)	2,816	*	2,816
Recreation/Special Events Participation	20,894	22,608	20,288
Water			
New connections	15	16	17
Field operations work orders completed	16,687	9,815	10,675
Peak daily consumption	6,780,300	6,929,900	7,500,000
Maximum daily capacity-water production	7.20MGD	7.20MGD	7.20MGD
Number of gallons pumped	1,162,636,600	1,044,346,300	1,056,000,000
Number of gallons sold	1,152,288,922	934,653,200	1,008,000,000
Wastewater			
Wastewater work orders completed	1,123	4,156	4,867
Wastewater gallons pumped	374,111,518	381,156,000	604,500,000

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

Fiscal Year				
2016	2017	2018	2019	2020
281	288	277	319	414
1,782	1,518	1,547	1,528	1,072
11.70%	9.00%	7.10%	9.60%	14.00%
-	-	1	-	-
807	774	747	829	854
1,336	4,533	2,758	1,563	1,273
2,633	4,949	4,313	3,608	3,878
452	609	565	518	506
267	325	272	304	173
6,617	6,962	6,221	6,520	6,141
6,957	7,193	13,729	15,202	15,530
1,352	1,129	1,128	1,280	780
2,337	3,010	3,217	3,989	2,019
239	257	261	260	211
243	220	187	227	114
1,413	1,410	1,252	1,489	1,160
865	676	620	571	481
602	685	682	745	758
526	610	587	624	525
*	*	*	*	*
716	301	227	640	582
204	213	622	136	815
4,800	30,000	25,000	51,720	63,000
200	18,000	14,406	9,000	11,250
30	15	56	92	138
15	86	261	100	394
14,952	12,336	16,957	15,520	14,967
828	966	124	807	575
107	42	80	110	52
1,818	1,821	1,809	1,813	1,816
59,198	60,000	57,000	61,000	60,600
*	*	*	*	*
6,525	6,525	6,525	9,267	8,168
23,899	23,950	23,950	22,067	21,206
*	*	*	*	*
2,816	2,920	2,920	2,086	1,843
19,051	29,603	29,003	25,560	3,916
37	26	13	16	35
10,815	10,064	9,370	10,544	15,419
7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
7.20MGD	7.2MGD	7.2MGD	7.2MGD	7.2MGD
991,177,900	928,836,200	995,892,200	813,644,189	982,601,900
931,105,700	888,844,700	1,017,767,600	765,360,700	957,911,500
4,740	4,378	4,785	4,803	4,957
572,924,000	425,469,000	411,460,879	447,811,593	495,967,000

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CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2021	2022
General government		
Open records requests processed	671	646
Court cases filed	691	1,019
Employee turnover (%)	11.50%	8.90%
Emp safety lost time injuries	1	1
Technical support tickets closed	936	746
Community Service		
Permits issued	1,784	1,660
Inspections performed	3,174	3,282
Police		
Reported offenses	551	545
Arrests	160	171
Service	5,988	6,543
Close patrols	13,027	13,288
Traffic citations issued	838	807
Traffic warnings issued	1,627	2,535
Motor vehicle accidents	246	264
Animal impounds	139	152
Animal care calls	951	812
Animal registrations	-	*
Fire		
EMS calls	820	948
Fires calls	748	405
Streets and Drainage		
Drainage materials (ft.)	*	
Asphalt (tons)	255	176
Concrete(yards)	464	537
Cold patch (lbs)	41,000	26,800
Crack seal (lbs)	20,254	17,640
Paint (gal)	68	92
Sod replacement (yards)	13	13
Saw cuttings (ft.)	10,271	10,695
Spoils (yards)	378	100
Sign Repairs (hours)	32	30
Work orders completed (Maintenance)	1,810	1,780
Total fuel consumption	63,600	62,300
Parks and recreation		
Acres of turf mowed	*	*
Parks turf maintenance (hours)	2,684	3,958
Park maintenance (hours)	24,133	12,815
Bags of trash disposed (55 gal)	*	*
Trash removal (hours)	1,713	1,412
Recreation/Special Events Participation	14,666	15,567
Water		
New connections	38	24
Field operations work orders completed	15,813	10,894
Peak daily consumption	7,500,000	7,500,000
Maximum daily capacity-water production	7.2MGD	7.2MGD
Number of gallons pumped	982,151,700	1,159,279,600
Number of gallons sold	891,998,300	1,074,740,900
Wastewater		
Wastewater work orders completed	1,170	4,919
Wastewater gallons pumped	466,988,000	351,455,130

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2013	2014	2015	2016
General Government				
City area (in miles)	6.38	6.38	6.38	6.38
Police				
Stations	1	1	1	1
Fire				
Stations	1	1	1	1
Streets and Drainage				
Streets (miles)	200.0	200.0	200.0	200.0
Traffic signals	3	3	3	3
Parks and recreation				
Acres of parks	318	318	318	318
Trail system (linear miles)	10.0	11.7	11.7	12.7
Water				
Number of meters in service	5,422	5,439	5,456	5,483
Water mains (in miles)	100	98	99	100
Fire hydrants	770	780	780	811
Wastewater				
Storm sewers (miles)	24	24	25	25
Sanitary sewers (miles)	98	98	98	99
Sewer connections	5,218	5,235	5,253	5,276

Source: Various City departments

Fiscal Year					
2017	2018	2019	2020	2021	2022
6.38	6.38	6.38	6.38	6.38	6.38
1	1	1	1	1	1
1	1	1	1	1	1
200.03	200.03	200.03	200.03	200.03	200.03
318.2	393	393	393	393	329
12.7	12.7	12.7	12.7	12.7	13.0
5,521	5,536	5,523	5,579	5,692	-
100	102	102	103	104	105
815	825	825	821	823	836
25	25	25	26	27	27
99	100	100	101	102	103
5,307	5,325	5,389	5,436	5,614	5,667

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CITY OF HIGHLAND VILLAGE, TEXAS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

CITY OF HIGHLAND VILLAGE, TEXAS

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SEPTEMBER 30, 2022

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PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Highland Village, Texas's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Highland Village's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained *in Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal Programs.

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AICPA GAQC Member

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies I internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated March 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2023

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor
and City Council
City of Highland Village, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Highland Village, Texas' basic financial statements, and have issued our report thereon dated March 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Highland Village, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Highland Village, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Highland Village, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2023

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Justice			
Direct Programs:			
Bulletproof Vest Partnership	16.607	N/A	$ 2,310
Total Direct Programs			2,310
Total U.S. Department of Justice			2,310
U.S. Department of Treasury			
Passed through the Texas Division of Emergency Management:			
COVID-19 - State and Local Fiscal Recovery Fund (ARPA)	21.027	N/A	1,547,662
Total passed through the Texas Division of Emergency Management			1,547,662
Total U.S. Department of Treasury			1,547,662
Total Expenditures of Federal Awards			$ 1,549,972

CITY OF HIGHLAND VILLAGE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of Highland Village, Texas. The City's reporting entity is defined in Note I to the City's basic financial statements. Federal awards received directly from federal and state agencies as well as federal awards passed through other government agencies are included in the respective schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using modified accrual basis of accounting, which is described in Note I to the City's basic financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports as of September 30, 2022, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

4. INDIRECT COSTS

The City has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

5. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the City were passed through to subrecipients.

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary of the Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Type of auditor's report issued on compliance for major federal and state programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major federal programs:	
Assistance Listing Number(s):	Name of Federal Program or Cluster:
21.027	COVID-19 - State and Local Fiscal Recovery Fund (ARPA)
The dollar threshold used to distinguish between type A and type B federal programs	$750,000
Auditee qualified as low-risk auditee?	No

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported

Findings and Questioned Costs for Federal Awards

None reported

CITY OF HIGHLAND VILLAGE, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

None